Biyani's Think Tank

Concept based notes

Sales and Distribution Management

(MBA)

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Preface

I am glad to present this book, especially designed to serve the needs of the students. The book has been written keeping in mind the general weakness in understanding the fundamental concepts of the topics. The book is self-explanatory and adopts the "Teach Yourself" style. It is based on question-answer pattern. The language of book is quite easy and understandable based on scientific approach.

Any further improvement in the contents of the book by making corrections, omission and inclusion is keen to be achieved based on suggestions from the readers for which the author shall be obliged.

I acknowledge special thanks to Mr. Rajeev Biyani, *Chairman* & Dr. Sanjay Biyani, *Director* (*Acad.*) Biyani Group of Colleges, who are the backbones and main concept provider and also have been constant source of motivation throughout this Endeavour. They played an active role in coordinating the various stages of this Endeavour and spearheaded the publishing work.

I look forward to receiving valuable suggestions from professors of various educational institutions, other faculty members and students for improvement of the quality of the book. The reader may feel free to send in their comments and suggestions to the under mentioned address.

Author

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Organizing and Directing the sales Force - Recurring and training sales personnel, Designing & compensating sales Personnel, Motivating and Leading the sales force, Evaluating sales force performance.

Distribution Management - Managing marketing logistics & channels, Channel Integration - VMS, HMS, Channel Management, and Marketing channel Policies & legal issue.

Channel Institutions & control, Wholesaling &- Retailing, Channel Information systems, Managing & Evaluating Channel Performance Case & future trends in sales & distribution management

Section B

Case and Problems

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Chapter 1

Sales Management

Q.1 Define Sales Management .

Ans. Sales management refers to the administration of the personal selling component of a company's marketing program. It includes the planning, implementation, and control of sales programs, as well as recruiting, training, motivating, and evaluating members of the sales force. In a small business, these various functions may be performed by the owner or by a specialist called a sales manager. The fundamental role of the sales manager is to develop and administer a selling program that effectively contributes to the organization's goals. The sales manager for a small business would likely decide how many salespeople to employ, how best to select and train them, what sort of compensation and incentives to use to motivate them, what type of presentation they should make, and how the sales function should be structured for maximum contact with customers.

Sales management is just one facet of a company's overall marketing mix, which encompasses strategies related to the "four Ps": products, pricing, promotion, and place (distribution). Objectives related to promotion are achieved through three supporting functions: 1) advertising, which includes direct mail, radio, television, and print advertisements, among other media; 2) sales promotion, which includes tools such as coupons, rebates, contests, and samples; and (3) personal selling, which is the domain of the sales manager.

Although the role of sales managers is multidisciplinary in scope, their primary responsibilities are: 1) setting goals for a sales force; 2) planning, budgeting, and organizing a program to achieve those goals; 3) implementing the program; and 4) controlling and evaluating the results. Even when a sales force is already in place, the sales manager will likely view these responsibilities as an ongoing process necessary to adapt to both internal and external changes.

Q2. Sales Management has the following key roles.

Ans. Major Key roles are:

1) Hire, fire, and train sales staff - selection, maintenance and training of the sales staff is key to any company's success. Sales managers must hire sales staff the can competently manage the sales process and meet or exceed quota. The Sales Manager must train and motivate the staff to perform. The Sales Manager must also replace underreporting sales staff. On going training is key to understanding the company sales process, sales value propositions and product sets.

2) Develop and manage sales territories and quotas, and manage any conflicts that arise as a result of customer, territory, quota or commission questions

3) Develop and implement sales compensation plans

4) Create, document and train in the company sales process

5) Interact with all departments that contribute to product delivery and support, customer service and finance.

6) Prepare and manage a sales budget in line with company financial objectives.

7) Coach sales staff to maximize their professional performance

8) Plan and facilitate regular sales meetings to keep staff and rest of company informed, energized and motivated.

The role of sales management varies from company to company, but the points above should be addressed by every senior sales manager.

Q3. The 5 Biggest Sales Management Blunders/Mistake/Shortcomings?

Ans. Avoiding Sales Management Blunders

Hiring a sales staff for your small business comes with the responsibility to provide effective sales management. Learn the biggest sales management blunders and how you can avoid them.

1. Mixing Recognition with Coaching: One common sales management blunder is to congratulate your sales force for a job well done and quickly move to areas of improvement. This tactic can often be interpreted by sales staff as a lack of appreciation. A best practice is to separate the recognition from the coaching. Save the performance improvement areas for coaching sessions. Set up separate recognition of your sales rep success even if it's a small celebration. It's the little gestures of respect and celebrations of achievement that gain the hearts and minds of the sales force.

2.No Sales Plan: Another common sales management blunder is not developing a sales plan to help manage the sales team. A successful sales team requires regular planning tracking, and review to achieve the targeted results. Every sales rep requires their own action plan to direct day-to-day activities and set up accountabilities.

All sales plans have at least 3 requirements:

- Sales Rep Development: Where most plans fail is they are developed by the sales manager not the sales rep. To ensure a high level of plan acceptance, have the rep develop the plan and guide them toward the right objectives.
- Regular Reporting: Sales plans should be established on a weekly basis to provide flexibility in the planning cycle. Reviewing can take place on a monthly basis. Sales management excellence involves reviewing the results against the plan to determine missed opportunities and areas for improvement.
- Sales Metrics: A successful sales plan focuses on results and activities. Establish the proper sales metrics to drive your business results. Metrics can include: number of client phone calls, number of contacts, appointments set, appointments conducted and sales closed. Do not overwhelm your sales staff with excessive tracking numbers. Focus on the few measures that matter the most to your business.

3. No Sales Support: A common sales management blunder is to hire a sales person without providing them with the level of support required to succeed. Even if your new rep is well-versed in your industry and a top performer, they will still require help to familiarize themselves with your company, products, and markets.

Not all sales reps require the same level of support. For many small business owners, a hands-off approach to sales management is not the best strategy. Successful sales management requires a commitment to sales force training.

Regardless of the size of your firm, an investment in sales training and support can pay big dividends on profitability. Spending the time one-on-one and in the field with your sales team will not only provide support but convey a sense of the importance of sales people in your organization.

4. Focus on Control Sales Management: Many new and unsuccessful sales managers will focus on the traditional sales management by intimidation or control approach. The top sales performers know they have a valuable skill set and will quickly walk to a competitor if treated poorly. Sales management is a partnership between the sales rep and the sales manager. Effective sales management requires sharing in the responsibility to find the problems and bottlenecks in your sales process. Seek the solution together with your reps. Be a champion for helping them achieve their agreed results.

5. Lack of Sales Accountability: There will be times when sales reps fail regardless of the support and training they receive. It is easy to pass off the lack of results to external forces such as competitors, the economy, or poor marketing. Remember the sales rep was hired to bring in sales. When support, training, and market potential are available, a lack of results often means it's the rep's performance.

Who is responsible for the lack of performance? Your sales management program. If your small business lacks a clear policy of sales accountability, it remains your responsibility to implement the process. Creating a culture of sales accountability will not happen overnight. Expect to lose sales staff. Sales reps who have under performed and will not accept personal responsibility for their own results, will leave. This is a good thing. A sales accountability culture only accepts top performers; exactly what your business needs to survive in a competitive market.

Other big sales management blunders do exist. It is vital to have an honest feedback system in place. Alan J. Zell, "The Ambassador of Selling" feels "most sales managers do not have a system of feedback that will allow the staff to have a way to comment back to the sales manager without the fear of being chastised or being known as a complainer."

Growing a small business is hard work. The sales management function is often overlooked by small business owners. Spending the necessary time wearing your sales manager hat will help foster a rewarding culture and build a successful sales team to boost your business to new levels.

Q4. What is the nature of sales management?

Ans. Many of the sales management decisions are concerned with the development and maintenance of an effective sales force. In the long run, decisions have to be made regarding the structure of an effective sales force.

In the long run, decisions have to be worked out and implemented. In all these decisions, sales mangers may require considerable assistance from organizational specialist and personnel managers.

The responsibility for the total sales task of an organization has to be divided among members of the sales force. Hence, a series or decisions have to be made concerning the allocation of sales effort. Sales territories have to be devised with some concern for the territory's potential as well as workload. Sales personnel have to be allocated to specific territories. Operational contents has to be given to general (line) and specialised (staff) roles in the sales organization. The territorial structure and allocation are usually not changed unless a change of sales strategy takes place. However, short term adjustments in sales territory design and allocation are frequently required. Territory allocation problems can become fairly complex in large sales organisations. Some times quantitative models can be used to solve such problems.

Even the best organized sales department will not function effectively unless the sales effort is planned and controlled on a periodic basis. Annual or quarterly sales forecasts constitute the basis for sales planning. Overall sales targets or quotas are worked out on the basis of the forecasts. Individual quotas are negotiated with the salesman by his supervisor. Some organizations break up the quota by product line, customer type, time intervals, etc. Monitoring of sales performance requires some system of field reporting. In addition to sales figures, a well-designed field reporting system can yield valuable data on stock levels, dealer motivation, promotional effectiveness, competitive activity and customer preferences. Many firms conduct regular sales analysis to discover significant trends in the market.

Regular motivation and periodic evaluation is necessary to ensure that actual sales performance corresponds with the planned effort. Compensation plans, sales contests, incentives, sales conferences, supervision, etc., are used to motivate salesmen. Sales manages have to make decisions pertaining to the mix of motivational devices to used. Systems have t be developed for evaluating the performance of salesmen. Reinforcement or corrective action may be necessary depending on whether the performance is satisfactory or not.

Q5. Three E's To Successful Goal Setting ?

Ans. Its time to plan for the next sales year.Time to do goal setting with each automobile salesperson. So where does a champion automobile sales manager begin?

The answer, successful goal setting starts with three E's - Expectations, Execution, Evaluation. Mapping out sales targets is a continuous process. Sure, most car sales managers really only focus on it once a year. But the champions, the sales leaders, the car store managers who want their sales team to prosper, embrace the setting of individual goals as an ongoing daily, weekly, monthly opportunity.

Any automobile sales person who is worth her or his salt, has personal sales goals and more. Goal setting is not new to them. These car sales champions recognize that without daily, weekly, monthly targets there is nothing left but hoping to close the next walk-in. Automobile sales people who understand setting personals goals make more money, have less frustration, are in control of their day.

The same holds true for the handful of automobile sales managers who embrace the three E's to successful goal setting. These guys and gals achieve their store targets, their sales goals, not on the backs of their sales team but alongside them.

The three E's to successful goal setting and achievement...

1) Expectations

Through a three meeting goal setting sequence individual automobile sales goals are established for the coming year.

a) Meeting Number One

The first sales goals meeting could be with the group or on an individual basis. The purpose of the first get-together is to explain you will be scheduling two more meetings to arrive at individual car sales goals.

Handle, to your satisfaction, questions that may come up. Conclude with clear instruction that each salesperson is to have a realistic outline of their vehicle sales goals for the next meeting. Be sure all salespeople focus on the same end result. That is, if the Dealership sales goals are in units then the salespeople are to present their sales goals in units per month, if the sales target is in gross sales per unit, then that is what is expected, and so forth.

b) Meeting Number Two

The second meeting must be within three days of the first. The purpose is to review the sales goals the salesperson mapped out. Discussion focuses on how the numbers were arrived at, how the salesperson sees achieving their sales goals, what assistance is being sought from management, what training would be beneficial, what strengths the salesperson could share with the team, what the Dealership could do better. In this meeting, the automobile sales manager's role is to listen to what the salesperson is saying, ask for clarification when necessary, and listen again.

This is not the meeting to agree or disagree with what the salesperson presents. It is not the meeting to offer suggestions or advice. This is the time champion automobile sales managers really listen to the salespeople.

Conclude the meeting thanking the salesperson for the input and schedule the third meeting.

Special note, an exception to the above is when a sales person is completely off with what was expected. Address this as required, refocus on what the purpose of the meeting was and reschedule. If the salesperson does not follow through, then you need to consider the future of this person in the Dealership.

c) Meeting Number Three

Since the last meeting you have reviewed all individual sales goals. You have also compared the combined total to the Dealership sales targets. Your role now has two purposes. First,you need to ensure the individual sales goals are realistic. Plus, you need to ensure the combined total meets or exceeds the Dealership's.

In meeting number three, you start with a review of the last meeting, then present the annual sales goal for this salesperson along with an explanation of how it was determined.

Next, you and the salesperson map the total into monthly sales targets. This is not simply dividing the total by twelve. Every Dealership has cycles. Individual monthly sales goals need to reflect the market. These goals are now minimum standard. They are what the automobile sales person is responsible to achieve at minimum.

2) Execution

Armed with monthly sales goals, the sales manager and salesperson now decide on a plan of action. In a car store, similar to selling RV's, there are buyers who just walk-in. How many of these can a salesperson expect to interact with on a daily, weekly, monthly basis? How many repeat and referral customers should the salesperson anticipate? How many prospecting calls will the salesperson need to make? What about orphan accounts, phone opportunities, internet leads, service customers?

The point is that the sales manager cannot simply say, "Here is your monthly sales targets. Good luck." No, it is the sales manager's responsibility to follow through with each salesperson to develop a strategy on how the goals will be achieved. That's essential in the goal setting process.

3) Evaluation

Evaluation is ongoing. The sales manager monitors each salesperson's daily activity, sold units, gross per deal, number of walk in contacts, number outbound calls, appointments secured, and so forth. Based on the salesperson's success and sales experience, the manager may hold follow-up reviews every other day, weekly, or maybe only once a month. The purpose of the review is to evaluate progress and make necessary adjustments for improvement. The sales manager provides guidance, coaching, and mentoring during these meetings.

The desired outcome is for the automobile salesperson to meet or exceed their monthly sales quota. By doing this consistently, the salesperson, sales team, and Dealership will be successful.

Compared to most other sales environments, RV sales managers and car sales managers are able to provide real time feedback. Sales managers in car stores and RV dealerships see each salesperson in action simply by walking the floor and listening. Other sales managers have to schedule travel time with their salespeople in order to evaluate their skills and provide feedback.

Ken Blanchard, author of the One Minute Manager, wrote, "*Feedback is the breakfast of champions!*" As an automobile sales manager, achieving sales targets means your sales team has to know what their sales goals are, they need a game plan to achieve those goals, and, most importantly they need to know how they are doing.

Q7. What are the 5 Sales Tips For Success?

Ans Can there really only be five sales tips for success?

Answer - yes!

And no!!

Yes, if you truly follow the following five sales tips you are on your way to being successful.

No, because if you truly embrace them, like peeling an onion, once you get under the skin there are layers and layers of sales techniques waiting to be peeled away. A career in sales is discovery.

Someone once said, "*The tragedy of life is not that it ends so soon, but that we wait so long to begin it.*" And so it is with sales. Like peeling the onion, the tragedy is most people who start out in sales never venture beyond the first layer.

The 5 sales tips for success are an acrostic for S.A.L.E.S:
S - Skill
A - Attitude
L - Leverage
E - Energy
S - Success

S is for Skill Development

As in all professions, Sales requires developing specific skills. Successful sales people approach their sales career as an apprenticeship. It is continuous learning.

That learning includes product knowledge, presentation techniques, communication skills, questioning techniques, and much more right down to grooming. Yes, grooming is a skill. It is more than a bath, shower, or great deodorant. There is truth in the saying "*dress for success*."

A key skill in this sales tip is performing daily tasks targeted at keeping your name in front or your customers and prospects. David Stein in his book *How Winners Sell* wrote "*Become an expert in the industry into which you sell.*"

Experts are always in demand. Skilled salespeople never go hungry!

A is Adjust Your Attitude

By adjust your attitude I'm not referencing building your self-confidence. If you don't already believe in yourself - the buyer will not either. Here is a knock your socks off sales tip for you, if you are not comfortable with rejection, get out. Selling is not for you. Don't kid yourself in thinking that you can read a self-help book or two or three and all will be better. It won't. Please don't fool yourself in thinking you can attend a seminar or two or three on building your self esteem, on getting tough, and all will be better. It won't. Not everyone is cut for the sales tunic. And that is okay.

If sales is for you, here is what I'm talking about when I say Adjust Your Attitude. It is okay to make a buck - lots of them.

Michael Port, **Book Yourself Solid,** wrote "*Becoming comfortable with the sales process requires that you let go of limiting beliefs you may have about being worthy of the money you're earning and requires a shift in your perspective of the sales process itself.*"

This is a key sales tip - it is okay to make a bundle of dollars for providing your expertise in helping people make a buying decision on something that they need, fits their budget, and their lifestyle. My personal check is "*Is it legal, ethical, and moral?*" If yes then I'm making the deal!

By the way, if you are not making an above average income as a commission salesperson you need to find out why. Be sure to look in the mirror.

L - Leverage You Are A Brand

"*To be successful you have to be unique. So different that, if people want what you have, they have to come to you to get it.*" Walt Disney said that. Powerful!

"To be successful you have to be unique." means you need to step away from crowd. It means that what you promise, what you say you will do, happens. This sales tip is more like a sales commitment.

If you are a commission sales person then this selling tip should be no surprise - you are a brand. You may not own the company whose products you represent. Yet to your customers you are the company. That is leverage.

The online Business Dictionary defines Leverage as "*Ability to influence a system...in a way that multiplies the outcome of one's efforts without a corresponding increase in the consumption of resources.*" For champion commission sales people this means that the uniqueness through which you provide your service, take care of your customers, follow up with your prospects, translates into them promoting you to their network of people. That is multiplying your connections without any significant effort from your end.

In the profession of selling, he or she with the biggest network wins. What sets you apart?

E - Energy

In the December 2010 edition of Success Magazine, the article *Break the Blame Game* stated the following "*To succeed in life, that is to be healthy enough to enjoy the work you are doing, you need to excuse-proof your life, especially when it comes to exercise, food choices, stress management, and showing love for the ones you love.*"

This selling tip is all about you, your lifestyle, your health, your relationships. To be a one per-center, a top achiever in the selling arena you need to have bounds of energy.

A chili dog and fries is not eating healthy. Parking at the closest entrance, skipping any opportunity to walk a few extra steps, choosing not to exercise does nothing for your energy level.

Eating right, being fit and well rested gives you the edge in tough negotiations. It helps your creativity and maintains your energy level.

Face-to-face, in the trenches selling is tough. It requires stamina and lots of energy. If you are not taking care of your healthy, no one else is. And, as a sales professional, if your are not healthy you will not survive. This is a sales tip to live for.

This S Is For Success

"*The most important opinion you have is the one you have of yourself, and the most significant things you say all day are those things you say to yourself.*" Anonymous

What is your definition of success?

At thefreedictionary.com success is defined as "*The achievement of something desired, planned, or attempted.*" Dictionary.com defines it as "*the favorable or prosperous termination of attempts or endeavours.*"

As a salesperson, for me success was best coined by ZigZiglar, "*When you help enough people get what they want, you will get what you want.*"

That's it, isn't it. "*When you help enough people get what they want, you will get what you want.*" Selling is all about helping other people - individual or corporate. Especially as an automobile sales person it is ensuring your prospect gets the right vehicle in a price or payment they can afford, that best meets their needs, and lifestyle. No magic formula. Just helping people.

Sure, as professional salespeople, we have to work to uncover leads, bust our buns to qualify prospects, be the middle man. Amazing when you think about it. We not only have to sell the product to the prospect we often have to sell the prospect to the company. In the end, when it all comes together, how great it is.

That's what this sales tip is all about. Success is those amazing moments when it all comes together. That feeling, no that very good feeling, that you have helped another make a quality buying decision. And you did it. You were instrumental in orchestrating the positive outcome. That's success.

There you have it, 5 sales tips for success. Start where you are today. A career in sales is discovery. The journey is the adventure. And, don't overlook the power in that the most important opinion you have is truly the one you have of yourself!

Q8. Sales Secrets Increase Your Closing Ratio?

Ans. What are the sales secrets of the champions? Why is it that these men and women continuously produce top results? What do they know that keeps them successful in any market, any economic condition? What is their secret to selling?

Wayne Gretzky, the hockey legend, is quoted as saying "*I miss 100% of the shots I don't take.*" Does this mean sales champions make more calls, bang on more doors? Could these be the sales tips?

Or, is it that they work smarter? Could it be how they manage their time and territory? Is their spin on selling to be better organized, have a quality daily plan, weekly schedule, monthly calendar?

Perhaps it is goals. Maybe the most successful sales people are more goal oriented, more focused on sales quotas, sales targets, more motivated by achieving sales results.

And have you noticed how they dress, how they present themselves? Could it be their confidence, self awareness, presence, how they gesture, their mannerisms?Just what is the reason for sales success of the million dollar producers? And, more importantly, can these sales skills be learned? Can anyone apply them?

Truth is, the sales techniques to closing more deals, earning higher commissions, ought to come as no surprise. As in any profession, sales people need to be confident in their craft, their sales skills.

Sales is a profession. Unfortunately their in lies the dilemma.The reason why only a handful rise to the top as high income commission earners. Most people in sales do not look upon selling as a "*profession*". The result, they are doomed to fail or, at best, a mediocre lifestyle.

As a sales professional, I can share with you sales secrets that have resulted in more orders, more successful interactions, more commissions. One specific secret has been more effective than any other technique in my sales kit.

In fact, I guarantee that if you apply this sale secret on a continuous basis you too will see more deals closed, more contracts signed, more revenue for your employer and greater prosperity for you. Yes, guaranteed!

Of course, by now you have guessed what this million dollar sales secret is. You may even be shaking your head, smiling, and thinking, "*That's what makes the difference. This is what makes me a one percenter, a champion.*"

On the other hand, if you are wondering what the dickens I am writing about, then it is time you get smart. Write me and I will send you the sales secret of the champions - FREE! No gimmick. FREE! No catch. Absolutely FREE!

If you are a commission sales person, I am absolutely convinced applying this sales technique on every sales contact will increase your commissions. If you are incentive or bonus based on revenue you bring in, you will see more dollars. Specifically, if you are accountable for securing a commitment from someone to do business with your company, this sales secret will get you more results!

Q9. Explain the process of sales management?

Ans. There are major four steps in sales management

Although the role of sales management professionals is multidisciplinary, their primary responsibilities are: (1) setting goals for a sales-force; (2) planning, **budgeting,** and organizing a program to achieve those goals; (3) implementing the program; and (4) controlling and evaluating the results. Even when a sales force is already in place, the sales manager will likely view these responsibilities as an ongoing process necessary to adapt to both internal and external changes.

GOAL SETTING

The overall goals of the sales force manager are essentially mandated by the marketing mix. The company coordinates objectives between the major components of the mix within the context of internal constraints, such as available capital and production capacity. The sales force manager, however, may play an important role in developing the overall marketing mix strategies. For example, the sales manager may be in the best position to determine the specific needs of customers and to discern the potential of new and existing markets.

One of the most critical duties of the sales manager is to estimate the market potential and sales potential of the company's offerings, and then to make realistic forecasts of sales. Market potential is the total expected sales of a given product or service for the entire industry in a specific market over a stated period of time. Sales potential refers to the share of a market potential that an individual company can reasonably expect to achieve. A sales forecast is an estimate of sales (in dollars or product units) that an individual firm expects to make during a specified time period, in a stated market, and under a proposed marketing plan.

Estimations of sales and market potential are often used to set major organizational objectives related to production, marketing, distribution, and other corporate functions, as well as to assist the sales manager in planning and implementing the overall sales strategy. Numerous sales forecasting tools and techniques, many of which are quite advanced, are available to help the sales manager determine potential and make forecasts. Major external factors influencing sales and market potential include: industry conditions, such as stage of maturity; market conditions and expectations; general business and economic conditions; and regulatory environment.

Planning, Budgeting, and Organizing

After determining goals, the sales manager of a small business must develop a strategy to attain them. A very basic decision is whether to hire a sales force or contract with independent selling agents or manufacturers' representatives outside of the organization. The latter strategy eliminates costs associated with hiring, training, and supervising workers, and it takes advantage of sales channels that have already been established by the independent representatives. On the other hand, maintaining an internal sales force allows the manager to exert more control over the salespeople and to ensure that they are trained properly. Furthermore, establishing an internal sale force provides the opportunity to hire inexperienced representatives at a very low cost.

The type of sales force developed depends on the financial priorities and constraints of the organization. If a manager decides to hire salespeople, the next step is to determine the optimal size of the force. This determination typically entails a compromise between the number of people needed to adequately service all potential customers and the resources available to the company. One technique sometimes used to determine sales force size is the "work load" strategy, whereby the sum of existing and potential customers is multiplied by the ideal number of calls per customer. That sum is then multiplied by the preferred length of a sales call (in hours). Next, that figure is divided by the selling time available from one salesperson. The final sum is theoretically the ideal sales force size. A second technique is the "incremental" strategy, which recognizes that the incremental increase in sales that results from each additional hire continually decreases. In other words, salespeople are gradually added until the cost of a new hire exceeds the benefit.

A sales manager who is in the process of hiring an internal sales force also has to decide the degree of experience to seek and determine how to balance quality and quantity. Basically, the manager can either "make" or "buy" his force. "Green" hires, or those without previous experience whom the company must "make" into salespeople, cost less over the long term and do not bring any bad sales habits with them that were learned in other companies. On the other hand, the initial cost associated with experienced salespeople is usually lower, and experienced employees can start producing results much more quickly. But as Irving Burstiner noted in *The Small Business Handbook,* few star salespeople are ever unemployed, and a small business probably lacks the resources to find and hire those who are. Furthermore, if the manager elects to hire only the most qualified people, budgetary constraints may force him to leave some territories only partially covered, resulting in customer dissatisfaction and lost sales. Therefore, it usually makes more sense for small businesses to hire green troops and train them well.

After determining the composition of the sales force, the sales manager creates a budget, or a record of planned expenses that is (usually) prepared annually. The budget helps the manager decide how much money will be spent on personal selling and how that money will be allocated within the sales force. Major budgetary items include: sales force salaries, commissions, and bonuses; travel expenses; sales materials; training; clerical services; and office rent and utilities. Many budgets are prepared by simply reviewing the previous year's budget and then making adjustments. A more advanced technique, however, is the percentage of sales method, which allocates funds based on a percentage of expected revenues. Typical percentages range from about two percent for heavy industries to as much as eight percent or more for consumer goods and computers.

After a sales force strategy has been devised and a budget has been adopted, the sales manager should ideally have the opportunity to organize, or structure, the sales force. The structure of the sales force allows each salesperson to specialize in a certain sales task or type of customer or market, so that they will be more likely to establish productive, long-term relationships with their customers. Small businesses may choose to structure their sales forces by product line, customer type, geography, or a combination of these factors.

Implementing

After setting goals and establishing a plan for sales activities, the next step for the sales manager is to implement the strategy. Implementation requires the sales manager to make decisions related to staffing, designing territories, and allocating sales efforts. Staffing—the most significant of these three responsibilities—encompasses recruiting, training, compensating, and motivating salespeople.

Recruiting The first step in recruiting salespeople involves analyzing the positions to be filled. This is often accomplished by sending an observer into the field, who records the amount of time a salesperson must spend talking to customers, traveling, attending meetings, and doing paperwork. The observer then reports the findings to the sales manager, who uses the information to draft a detailed job description. The observer might also report on the characteristics and needs of the buyers, since it can be important for salespeople to share these characteristics.

The manager may seek candidates through advertising, college recruiting, company sources, and employment agencies. Candidates are typically evaluated through personality tests, interviews, written applications, and background checks. Research has shown that the two most important personality traits that salespeople can possess are empathy, which helps them relate to customers, and drive, which motivates them to satisfy personal needs for accomplishment. Other important traits include maturity, appearance, communication skills, and technical knowledge related to the product or industry. Negative traits include fear of rejection, distaste for travel, self-consciousness, and interest in artistic or creative originality.

Training After recruiting a suitable sales force, the manager must determine how much and what type of training to provide. Most sales training emphasizes product, company, and industry knowledge. Only about 25 percent of the average company training program, in fact, addresses personal selling techniques. Because of the high cost, many small businesses try to limit the amount of training they provide. The average cost of training a person to sell industrial products, for example, commonly exceeds $30,000. Sales managers can achieve many benefits with competent training programs, however. For instance, research indicates that training reduces employee turnover, thereby lowering the effective cost of hiring new workers. Good training can also improve customer relations, increase employee morale, and boost sales. Common training methods include lectures, case studies, role playing, demonstrations, on-the-job training, and self-study courses. Ideally, training should be an ongoing process that continually reinforces the company's goals.

Compensation After the sales force is in place, the manager must devise a means of compensating individuals. The ideal system of compensation reaches a balance between the needs of the person (income, recognition, prestige, etc.) and the goals of the company (controlling costs, boosting market share, increasing cash flow, etc.), so that a salesperson may achieve both through the same means. Most approaches to sales force compensation utilize a combination of salary and commission or salary and bonus. Salary gives a sales manager added control over the salesperson's activities, while commission provides the salesperson with greater motivation to sell.

Although financial rewards are the primary means of motivating workers, most sales organizations also employ other motivational techniques. Good sales managers recognize that salespeople have needs other than the basic ones satisfied by money. For example, they want to feel like they are part of a winning team, that their jobs are secure, and that their efforts and contributions to the organization are recognized. Methods of meeting those needs include contests, vacations, and other performance-based prizes, in addition to self-improvement benefits such as tuition for graduate school. Another tool managers commonly use to stimulate their salespeople is quotas. Quotas, which can be set for factors such as the number of calls made per day, expenses consumed per month, or the number of new customers added annually, give salespeople a standard against which they can measure success.

Designing Territories And Allocating Sales Efforts In addition to recruiting, training, and motivating a sales force to achieve the company's goals, sales managers at most small businesses must decide how to designate sales territories and allocate the efforts of the sales team. Territories are geographic areas assigned to individual salespeople. The advantages of establishing territories are that they improve coverage of the market, reduce wasteful overlap of sales efforts, and allow each salesperson to define personal responsibility and judge individual success. However, many types of businesses, such as real estate and insurance companies, do not use territories.

Allocating people to different territories is an important sales management task. Typically, the top few territories produce a disproportionately high sales volume. This occurs because managers usually create smaller areas for trainees, medium-sized territories for more experienced team members, and larger areas for senior sellers. A drawback of that strategy, however, is that it becomes difficult to compare performance across territories. An alternate approach is to divide regions by existing and potential customer base. A number of computer programs exist to help sales managers effectively create territories according to their goals. Good scheduling and routing of sales calls can reduce waiting and travel time. Other common methods of reducing the costs associated with sales calls include contacting numerous customers at once during trade shows, and using telemarketing to qualify prospects before sending a salesperson to make a personal call.

Controlling and Evaluating

After the sales plan has been implemented, the sales manager's responsibility becomes controlling and evaluating the program. During this stage, the sales manager compares the original goals and objectives with the actual accomplishments of the sales force. The performance of each individual is compared with goals or quotas, looking at elements such as expenses, sales volume, customer satisfaction, and cash flow. According to Burstiner, each salesperson should be evaluated using both subjective (i.e., product knowledge, familiarity with competition, work habits) and objective (i.e., number of orders compared to number of calls, number of new accounts landed) criteria.

An important consideration for the sales manager is profitability. Indeed, simple sales figures may not reflect an accurate image of the performance of the sales force. The manager must dig deeper by analyzing expenses, price-cutting initiatives, and long-term contracts with customers that will impact future income. An in-depth analysis of these and related influences will help the manager to determine true performance based on profits. For use in future goal-setting and planning efforts, the manager may also evaluate sales trends by different factors, such as product line, volume, territory, and market. After the manager analyzes and evaluates the achievements of the sales force, that information is used to make corrections to the current strategy and sales program. In other words, the sales manager returns to the initial goal-setting stage.

Q16. Sales Management Careers, Jobs and Training Information.

Ans. Those working in sales management deal directly and personally with the market. Through their expertise and experience marketing can be made concrete and humanly important, as other marketers rarely interact with or see the customer they are trying to win over. Sales managers must interact with a diverse variety of people from their own employees to clientele as they try to meet the clients demands by effecting quality liaison work to meet the client's needs.

Job and Employment Opportunities

Many positions in sales management can be obtained through companies ranging from the for profit to not-for-profit organizations as well as service oriented institutions like those involved in financial services, insurance, consulting, and government. For instance, one type of sales is commercial banking.

Positions in industrial and commercial sales and sales management provide rewards and challengers through opportunities including systems selling and the need for broad management as well as technical training in some scenarios.

Since there are so many different kinds of product and market opportunities, and sales personnel are constantly facing new interpersonal situations, it is important to match sales personnel with positions that fit their background, interests, technical skills and academic training. Sales and sales management training programs can vary in length and format, lasting as little as a few weeks or taking up to two years. Every organization offers a different career path in sales, and thus each career path within in a particular organization should be examined.

Entry Level Sales Management Positions

- **Trade Sales:** Such positions involve representatives of products produced by manufacturers or wholesalers and sold to wholesalers or retailers. Goods can vary from grocery items to office goods to clothing apparel. Firms that use these types of sales reps are Proctor & Gamble, Kimberly-Clark, and Levi-Strauss etc. Sales reps typically are assigned a specific geographic location with a designated number of accounts for which they are responsible. Their duties involve visiting the wholesaler or retailer, providing information on the latest products, closing all sales, expediting orders, and mediating complaints.
- **Missionary Sales:** These are representatives of the manufacturing companies who contact retailers and decision makers of companies in order to convince them that their product should be utilized. In a sense missionary salespeople "preach the gospel" of their goods, although they don't actually close any sales. For example, a drug pharmaceutical representative contacts doctors to convince them to use the company's brand when prescribing select drugs. Another common example is grocery product producers will send missionary salespeople to retail establishments to talk to retailers about the products, help them position displays, stock the shelves with goods, etc. These representatives also have a designated amount of accounts located in a designated geographic area for which they are responsible. Work as a

missionary sales representative is a great method for preparing personnel to take on actual sales work later on as it does not require the representative to sale the product or close the deal.

- **Technical Selling:** Technical sales reps also have designated accounts in assigned geographic locations for which they are responsible. The salesperson represents the product and works to sell it to the businesses on their account. The main difference between technical selling and trades sells is the nature of the product. Products that employ technical selling are often more technical in nature. Thus salespeople must have the necessary technical background and understanding to appropriately represent the product. Various examples of technical products might consist of electronic equipment, bulk chemicals, building materials, and capital equipment like machine tools. Firms that commonly hire such salespeople are IBM, Monsanto, and Warner-Swasey etc.
- **New Business Selling:** In this form of selling the representative is not assigned an account nor designated to a certain geographic area. They are in charge of obtaining new business relationships. This includes selling of real estate, automobiles, life insurance, stocks and bonds, etc. Firms that hire these kind of salespeople are Caldwell Banker, automotive dealers such as Chevrolet and Nissan, and Aetna and Bankers Life insurance companies.

Other kinds of sales jobs include retail sales, delivery routes (bread or beer etc.) as well as phone sales. For the most part theses sales positions are not held by graduates of college.

Positions in Sales Management for Graduate Degree Holders

The majority of college graduates, especially MBA's, are not hopeful of obtaining positions in sales. Rather they prefer to become product or brand managers, advertising account executives, corporate planners, or marketing researchers. However, by passing up sales positions they might be foregoing a great chance to become a member of a firm and obtain helpful experience related to the position they hope to obtain. **Work in sales can help MBA's obtain** a broad perspective of how a firm's products, competitors and the economic conditions interact. Work in sales also grants MBA's the prospect of doing the job well and being noticed by corporate management. Sales work relies largely on an individual's motivation and dedication to the job. Many MBA's are able to develop a strong performance record in a just a year or two that affords them the opportunity to move up in the company. Many realize that climbing the ladder in sales management is a bigger challenge and offers more rewards than they had previously thought.

Career Training and Job Qualifications

As defined, personal selling consists of persuasive two-way communication with potential and future purchasers. Obviously it is necessary to relate well to others and enjoy their company in order to perform well in sales work, although more is required to be successful.

Salespeople have an expansive knowledge of the products they represent as well as those they are competing against. Basically, when it comes to sales, a salesperson must realize what needs and desires the consumer has and match those needs and desires with the company's appropriate product. Maybe the biggest factor in selling a product is an individual belief by the sales rep that the product being represented can indeed help the buyer. If the sales rep does not believe in the product it will be difficult to sell it.

Other important factors in sales are motivation and organization since sales reps must take the initiative themselves and are not closely supervised by managers. Additionally, sales reps must be very analytical in order to accurately track and understand the statistical performance measures, as well as the financial data which helps a consumer understand the financial advantages and disadvantages of buying the product.

Basically a salesperson must first be empathetic towards the buyer's needs and desires. A salesperson also uses their ego as driving force in wanting to match the consumers needs with the company's product as well as be efficient in order to meet the needs of the consumer expediently. Nobody perfectly possesses all of these qualities or traits. As a person takes on more of these qualities they will be more likely to successfully sell products.

Each student needs to start with the beginning class in marketing management at the undergraduate or graduate levels. Taking the sales management class is absolutely necessary, and the course covering marketing strategy and business communications is also helpful. Those interested in the field should also enroll in the marketing research course. After that, those desirous of becoming salespeople should take courses that interest them. Students with interest in marketing to consumers or marketing consumer goods to the trade, should enroll in the consumer behavior and advertising course.

Especially helpful are classes which offer insight into the human mind such as psychology, sociology, economics, anthropology, etc. Other courses like cost accounting, computer science, and statistical analysis which help develop analytical skills are also useful. Other classes that help develop communications skills like speech, drama, and creative writing will prove to be an asset. Lastly, classes associated with one's special interests should be taken. For instance, if one has interest in international marketing then courses in foreign languages should be taken, and those with interest in technical selling might enroll in engineering or physical science courses.

Q16. What are the Basic (but Effective) Sales Tips and Techniques?

Ans. Today there are more types of sales styles and techniques than you can shake a stick at. So how do you know what works and what doesn't? It really boils down to what works for you and what works for your product. Think about your target market and their perceptions about your product type. Do they know they need it and simply have to choose from the various brands on the market? Or, do they have no idea how much the product would help them be more productive? Do they even know about your product? Will the sales call be an education for them - or you?

Think through these things before determining what methods might work for your product or service. It goes without saying that a sales method that works for office supplies won't work for management consulting services. Although they are both targeting a similar market, the knowledge and understanding of your prospects will be much different. They have to be educated about how much they can benefit from consulting services, whereas, they already know they have to have binders to put their reports in, or paper for their copiers.

So, even though there are many sales methods, the choices are narrowed as you think about your market and what their needs are, as well as what their expectations may be.

With that said, let's just go over some things that are beneficial in almost any market. These tips are basic guidelines that most any sales person can benefit from.

- ***Listen to the emotional side of your prospect or client:***

Emotions are tied into almost everything we do even if we don't realize it. Your client may mention off-hand that they are really stressed-out about a particular project they are working on (even if it doesn't relate to what you're selling them). Make a note of this and see if there is anything you can do to assist them. You may have another client who had a similar dilemma and found a good solution. Make those connections and help where ever you can. You'll be rewarded with loyalty from all of your clients.

- ***Focus on your prospect or client's needs:***

  We've talked about it before, but it's worth mentioning again. You may be tempted to sell your client your top-of-the-line model gadget when they really only need the mid-line model. By selling them more than they need, you may be cutting off future relations with them. Once they realize (and they will eventually) that they don't need most of what you sold them, they'll feel bitter and resentful toward you for wasting their money and not looking out for their best interest. They'll see you as a "salesperson" and not as a resource.

- ***Use language that focuses on your prospect or client:***

  Simply changing the way you speak may also make a difference in how you are received by your prospect. Using "you" and "yours," or "you'll find..." rather than "I think" or "Let me tell you about," brings your message a little closer to home and may grab their attention more quickly.

- ***Help your prospect see the bottom line:***

  If you know your product can help clients save money, or increase profitability, then make sure they understand that. Your product may have an edge in that it includes features that save time. Time is money as the saying goes, and if you can save time your can often sell your product.

- ***Find out your prospect's priorities:***

  you can save yourself a lot of wasted time and effort by simply knowing how important your product and its benefits are to your prospect. If you've listened to them and determined the need, but still aren't getting anywhere, find out if there are other elements of their business that are taking priority and pushing your sale aside. If you know they have to implement a program before they can spend time considering (or funds purchasing) your product then you can schedule a call back at a later date that may stand a better chance of getting some attention. To do this you have to ask the questions because the information is not always volunteered. (Again, the key is focusing on the needs of your prospect, and having an open relationship already in place.

Q17. What is Effective Selling?

Ans *By Robert Clay, Founder and President, Marketing Wizdom*

People sometimes say "There's a born salesman!" But I've never yet read or heard in the news of someone who gave birth to a sales person.

Nor have ever I heard of someone who gave birth to a lawyer, or a doctor, or for that matter a criminal. Birth is given to boys and girls; everything after that is down to choices that are made and skills that are learned. And sales skills are life skills.

Many people would never view themselves as a sales person. Yet any time you're in a conversation in which you try to express an opinion or influence an event, you're actually selling.

In reality everyone is constantly trying to sell an idea, a belief, a proposition, an opinion or a goal. We all use sales skills throughout the day, every day. You use it on your spouse or partner, your kids, your colleagues, your neighbors, your friends, your parents, people you meet, when you buy different products or services, or when you go out for a meal.

What is one of the common mistakes in selling? Read on to learn what to avoid when developing your selling skills.

There isn't a single area of your life where you cannot benefit from sales skills. Teachers use sales skills every day. Preachers use sales skills. Police officers use sales skills. Mother Teresa used sales skills. And sales people use sales skills. Regardless of what you do, sales skills will increase your probability of success and your ability to motivate, instruct, encourage, coach, communicate and reach people.

Increasing your skill and awareness, and doing the same for everyone in your team can therefore boost your business to new heights of success. It is relatively easy to do this and it can produce an instantaneous improvement.

The amazing thing is that hardly anyone in business has ever had formal training in selling technique or strategy. Most people don't understand the psychology of how people make decisions. Nor do they understand the dynamics of persuasion and influence. Yet they're invariably in a business where persuasion, influence and selling are critical factors for the success of that business.

It's as if they think that by divine guidance everything will be OK for them, and they'll suddenly wake up one morning with these supremely competent selling skills. Of course, it doesn't happen that way, does it?

Don't blindly do what's always been done. It starts with sales training. But that's where things often start to go wrong. Most businesses are guilty of using a "tribal" method of training, i.e. passing information from person to person in the company, which leaves you at the mercy of knowledge and expertise that becomes weaker, more watered down and less relevant each time one person passes it to another.

Granted, experience can be an excellent teacher. But doing what has always been done is often not the answer, especially in today's fast-changing world.

To make the point, I love a story related by Chet Holmes about a woman whose husband was watching her prepare a roast. At one point, she took a large knife and sliced off the two ends of the cut of meat. He asked her, "Why do you cut the ends off the roast?" She replied, "My mother always did it this way."

But the question stuck in his mind. He really couldn't see any reason why cutting off the ends would make a better-tasting roast, and it certainly wasted plenty of perfectly good meat.

That night it so happened that his wife's mother was joining the couple for dinner. As they sat down and his wife brought out the roast, the husband asked, "Why did you teach your daughter to slice both ends off of the roast?" The mother, a lovely lady over 90 years old, replied, "Well, when we were young we could only afford a tiny little apartment and a tiny little oven. We could never fit the whole roast in that tiny oven, so we just lopped off the ends."

By learning how to sell from your predecessor you may be just blindly doing what's always been done and throwing out a large percentage of your prospects or business.

Yet developing your selling skills and those of everyone in your team can be one of the easiest, most powerful and most significant instant transformations your business will ever embark on. It all starts with an understanding of what constitutes effective selling.

What is effective selling? Effective selling is NOT just a matter of learning a sales spiel, having the gift of the gab or using clichéd or manipulative techniques.

Instead it is the process of leading, guiding, educating and directing your buyers more than anyone else might do to help them solve a problem or achieve a desired outcome.

The finest sales people in the world are helpful, not pushy. Some of the highest performing sales people are introverts, not the stereotypical extroverts. The most important attribute of any sales person is their attitude. The best sales people believe in the value of what they do and in their product or service … and their most important skill is to ask the right questions and listen to their buyer's responses.

The right questions will vary depending on the product or service, but in general terms they will work with their buyers, nurturing and learning about them to identify exactly what those buyers are looking for, what problems or concerns they want to solve and what outcomes they're seeking.

Then, and only then, a good salesperson will provide meaningful recommendations, suggestions, counsel, direction and advice on the buyer's buying decisions and the products and services they should choose and the strategies they should use based on their personal experience of what actually works.

This allows their buyers to make an informed decision based on what is in their best interest. And of course a good salesperson also needs to know how and when to ask for the order!

None of this is particularly mysterious or difficult … and anyone can be trained to sell effectively in this manner.

Learning to sell this way is probably the easiest, most powerful and most significant instant transformation your business will ever embark on because the moment your staff are better trained in selling principles, methods and understandings, they'll handle every prospect, lead or inquiry they ever deal with more effectively.

Q20. What is the sales management BACKGROUND?

Ans. The discipline of marketing management emerged during the Industrial Revolution, when mass production resulted in the creation of large organizations, and technological advances related to transportation and communication enhanced access to geographic markets. The two developments contributed to a growing need for the management of groups of sales people in large companies.

During the 20th century, some observers have described four evolutionary stages of sales and marketing management. The first stage, which lasted until the beginning of the Great Depression, was characterized by an emphasis on engineering and production. Managers in those functional areas generally determined the company's goals and plans. They developed products and set prices with the assumption that the customers would naturally buy whatever they could get to the market. The job of the sales departments, then, was simply to facilitate the smooth flow of goods from the company to the consumer.

The maxim "build a better mousetrap and the people will come," was effectively dashed by the Depression, when producers found that selling products could be much more difficult than churning them out. Sales people and managers were elevated to a new status, and their input into product planning and organizational goal setting increased. It was also during this period that "hard sell" tactics, which still embody the stereotype often ascribed to automobile and aluminum siding salesmen, were developed. The hard sell philosophy reflected the propensity of most organizations to focus on getting the customer to want the product that was being offered rather than delivering what the customer desired. This second evolutionary stage extended from the 1930s into the 1950s.

During the 1960s and 1970s, companies in the United States began to embrace the concept of marketing, which initiated a shift of the organizational focus from selling to customer satisfaction and more efficient advertising and promotional practices. The adoption of marketing techniques essentially involved the integration of the selling side of business into related functions, such as budgeting, inventory control, warehousing, and product development. Despite the emergence of the marketing philosophy, however, most manufacturing companies continued to emphasize the production side of their business.

Sales management at U.S. companies entered a fourth evolutionary stage during the 1980s, characterized by a marked shift from a supply-side marketing orientation to customer orientation. Several factors prompted this change. Increased foreign competition, particularly from Japan, posed a serious threat to American companies, which were comparatively inefficient and unaware of customer wants. In addition, a slowdown in U.S. market growth resulted in greater competition between domestic rivals. Finally, a change in social orientation demanded that companies focus on creating and selling products that would provide a better quality of life, rather than a higher material standard of living. This change was evidenced by the proliferation of laws protecting the environment and mandating product safety.

The result of changes during the 1980s and early 1990s was that sales and marketing specialists were forced to concentrate their efforts on determining precisely what customers wanted, and efficiently providing it. This change necessitated greater involvement by sales managers in the goal-setting and planning activities of the overall organization. This broadened scope meant that sales managers were expected to develop a more rounded body of knowledge that encompassed finance, operations, and purchasing.

At the same time, sales managers were forced to deal with other pivotal economic and social changes. Chief among socioeconomic trends of the 1980s and early 1990s was the evolution of marketing media. As the cost of the average industrial sales call rocketed from less than $100 in 1977 to more than $250 by the late 1980s, marketing and sales managers began to stress other sales tools. **Direct mail** and telephone sales became efficient **direct marketing** alternatives to face-to-face selling. They also surfaced as important media that sales managers could use to augment the efforts of their sales people in the field.

Costs have been contained somewhat in the intervening years. As of 1997, according to a survey by the trade journal *Sales & Marketing Management,* the average sales call across all industry segments and for sales agents of all levels of experience cost $113.25. Manufacturing continued to be the industry sector with the most expensive sales structure, with costs averaging $159 per call. Wholesaling was at the other end of the spectrum, averaging just $80 per call. As a percentage of total revenues, sales calls in the service industries tend to be highest, representing 13 percent on average. Sales call expenses in manufacturing, retailing, and wholesaling all averaged between 6 percent and 7 percent, according to the study.

Nonetheless, in the late 1990s sales cost cutting continued to be a priority at many companies. Among the methods increasingly used to trim selling overhead were having sales reps work out of their own homes, at least until they built up a certain amount of sales volume, and eliminating (more accurately, distributing) some of the functions of the traditional sales manager. Indeed, some companies boasted that they could operate without sales managers, as sales forces were becoming increasingly mobile and decentralized and as information technology provided the essential linkages between management and the sales force. Automation of sales-related activities was a major—and often frustrating—drive during the second half of the 1990s. This so-called sales force automation (SFA) was intended to maximize the efficiency of sales agents' work and to better coordinate sales activities with other functions in the business. However, as many as half of these software systems installed did not live up to the companies' expectations. Despite this, most in the field now see automation as a baseline requirement for nearly any sales force.

Q9. What is Personal Selling?

Ans. Personal selling is a promotional method in which one party (e.g., salesperson) uses skills and techniques for building personal relationships with another party (e.g., those involved in a purchase decision) that results in both parties obtaining value. In most cases the "value" for the salesperson is realized through the financial rewards of the sale while the customer's "value" is realized from the benefits obtained by consuming the product. However, getting a customer to purchase a product is not always the objective of personal selling. For instance, selling may be used for the purpose of simply delivering information.

Because selling involves personal contact, this promotional method often occurs through face-to-face meetings or via a telephone conversation, though newer technologies allow contact to take place over the Internet including using video conferencing or text messaging (e.g., online chat).

Among marketing jobs, more are employed in sales positions than any other marketing-related occupation. In the U.S. alone, the U.S. Department of Labor estimates that over 14 million or about 11% of the overall labor force are directly involved in selling and sales-related positions. Worldwide this figure may be closer to 100 million. Yet these figures vastly under-estimate the number of people who are actively engaged in some aspect of selling as part of their normal job responsibilities. While millions of people can easily be seen as holding sales jobs, the promotional techniques used in selling are also part of the day-to-day activities of many who are usually not directly associated with selling. For instance, top corporate executives whose job title is CEO or COO are continually selling their company to major customers, stock investors, government officials and many other stakeholders. The techniques they employ to gain benefits for their company are the same used by the front-line salesperson to sell to a small customer. Consequently, our discussion of the promotional value of personal selling has implications beyond marketing and sales departments.

Q10. What are the major advantages of Personal Selling?

Ans. One key advantage personal selling has over other promotional methods is that it is a two-way form of communication. In selling situations the message sender (e.g., salesperson) can adjust the message as they gain feedback from message receivers (e.g., customer). So if a customer does not understand the initial message (e.g., doesn't fully understand how the product works) the salesperson can make adjustments to address questions or concerns. Many non-personal forms of promotion, such as a radio advertisement, are inflexible, at least in the short-term, and cannot be easily adjusted to address audience questions.

The interactive nature of personal selling also makes it the most effective promotional method for building relationships with customers, particularly in the business-to-business market. This is especially important for companies that either sell expensive products or sell lower cost but high volume products (i.e., buyer must purchase in large quantities) that rely heavily on customers making repeat purchases. Because such purchases may take a considerable amount of time to complete and may involve the input of many people at the purchasing company (i.e., buying center), sales success often requires the marketer develop and maintain strong relationships with members of the purchasing company.

Finally, personal selling is the most practical promotional option for reaching customers who are not easily reached through other methods. The best example is in selling to the business market where, compared to the consumer market, advertising, public relations and sales promotions are often not well received.

Q11. What are the major disadvantages of Personal Selling ?

Ans. Possibly the biggest disadvantage of selling is the degree to which this promotional method is misunderstood. Most people have had some bad experiences with salespeople who they perceived were overly aggressive or even downright annoying. While there are certainly many salespeople who fall into this category, the truth is salespeople are most successful when they focus their efforts on satisfying customers over the long term and not focusing own their own selfish interests.

A second disadvantage of personal selling is the high cost in maintaining this type of promotional effort. Costs incurred in personal selling include:

High cost-per-action (CPA) – As noted in the Promotion Decisions tutorial, CPA can be an important measure of the success of promotion spending. Since personal selling involves person-to-person contact, the money spent to support a sales staff (i.e., sales force) can be steep. For instance, in some industries it costs well over (US) $300 each time a salesperson contacts a potential customer. This cost is incurred whether a sale is made or not! These costs include compensation (e.g., salary, commission, bonus), providing sales support materials, allowances for entertainment spending, office supplies, telecommunication and much more. With such high cost for maintaining a sales force, selling is often not a practical option for selling products that do not generate a large amount of revenue.

Training Costs – Most forms of personal selling require the sales staff be extensively trained on product knowledge, industry information and selling skills. For companies that require their salespeople attend formal training programs, the cost of training can be quite high and include such expenses as travel, hotel, meals, and training equipment while also paying the trainees' salaries while they attend.

A third disadvantage is that personal selling is not for everyone. Job turnover in sales is often much higher than other marketing positions. For companies that assign salespeople to handle certain customer groups (e.g., geographic territory), turnover may leave a company without representation in a customer group for an extended period of time while the company recruits and trains a replacement.

Q12. Objectives of Personal Selling ?

Ans. Personal selling is used to meet the five objectives of promotion in the following ways:

Building Product Awareness – A common task of salespeople, especially when selling in business markets, is to educate customers on new product offerings. In fact, salespeople serve a major role at industry trades shows (see the Sales Promotion tutorial) where they discuss products with show attendees. But building awareness using personal selling is also important in consumer markets. As we will discuss, the advent of controlled word-of-mouth marketing is leading to personal selling becoming a useful mechanism for introducing consumers to new products.

Creating Interest – The fact that personal selling involves person-to-person communication makes it a natural method for getting customers to experience a product for the first time. In fact, creating interest goes hand-in-hand with building product awareness as sales professionals can often accomplish both objectives during the first encounter with a potential customer.

Providing Information – When salespeople engage customers a large part of the conversation focuses on product information. Marketing organizations provide their sales staff with large amounts of sales support including brochures, research reports, computer programs and many other forms of informational material.

Stimulating Demand – By far, the most important objective of personal selling is to convince customers to make a purchase. In The Selling Process tutorial we will see how salespeople accomplish this when we offer detailed coverage of the selling process used to gain customer orders.

Reinforcing the Brand – Most personal selling is intended to build long-term relationships with customers. A strong relationship can only be built over time and requires regular communication with a customer. Meeting with customers on a regular basis allows salespeople to repeatedly discuss their company's products and by doing so helps strengthen customers' knowledge of what the company has to offer.

Q13. What are the recent trends in Selling ?

Ans. While the basic premise of personal selling, building relationships, has not changed much in the last 50 years, there are a number of developments that are impacting this method of promotion including:

Controlled Word of Mouth
Customer Information Sharing
Mobile and Web Computing
Electronic Sales Presentations

Electronic Sales Training
Use of Customer Teams

Chapter 2
Planning the Sales Effort

Q1. What is Sales Planning ?

Ans. Sales personnel planning is the process (including forecasting , developing , implementing and controlling) by which a firm ensures that it has the right number of people and the right kind of people , at the right place , at the right time, going work for which they are economically most useful.

Q2. Explain the features of sales planning?

Ans. Sales planning has the following features:

Easy to Use

Because your time is valuable, Insight for Sales Strategy was designed to provide maximum benefit from the start. No training is required and all of the instructions are dynamically shown as you progress through the program.

Strategy Reports are Generated Automatically

A report detailing the strategic issues is automatically generated for each sales opportunity. You will gain the insight you need to plan out your next move. In addition to the strategic report, your forecasted sales are presented in an Excel compatible spreadsheet.

Automated Roll-up of Pipeline to Management

When it is time to send your forecast to management all you have to do is use the "Send To" feature built into Insight for Sales Strategy. Your manager will have all of the strategic and financial information necessary to make projections and help you close more sales.

Charts Your Forecasted Sales

3D color charts provide you a visual look at your pipeline. You will know the health of your pipeline and what to expect from commissions.

ACT! Integration

Add the power of Insight for Sales Strategy to your ACT! database. Any of your contacts that are part of your forecast can be imported so you don't have to enter the same information twice.

Customize the Sales Process and Analysis

The sales process can be customized to fit your company's individual methods. You can also choose to ignore risk factors providing you a customized analysis.

Q3. What are the objectives of sales workforce planning?

Ans. Workforce planning is a tool business owners can use to plan the company staffing levels effectively and within budget. Planning calculates the correct number of employees for the business, as well as the appropriate skill sets to meet company goals. Workforce planning is a continuous process that ensures a business has the appropriate staff levels at all times.

1.Define Job Roles and Responsibilities

Workforce planning must identify and define job roles in all departments in the company. Defining the job roles in the business is a step toward identifying the staffing needs of each department in the organization. To identify the job roles or positions in the business, human resource professionals must link the business objectives of the company to the talent pool within the organization and identify areas that require additional employees with expertise. For example, if a company objective is to expand research and development in the company, human resource professionals may identify the need for a new position to manage the research and development department or the need to increase the engineering staff.

2.Identify Staffing Levels

One of the objectives of a workforce planning strategy is to identify appropriate staffing levels for all departments in a business during all shifts. This requires the business owner to determine the appropriate levels for current sales or workload, as well as to prepare for increases in business and sales. Workforce planning seeks to anticipate future staffing requirements based on sales forecasts for other forecasts of company staffing needs. Human resource workers must have a recruiting and hiring plan in place to meet the needs of the business. This preparation ensures that the business is ready to increase staffing levels when the company ramps up production. A workforce planning strategy ensures that the company always has the appropriate level of employees regardless of economic conditions.

3.Increase Efficiency in Human Resources

An effective planning strategy must also plan to use workers effectively in the business. The strategy can include training workers to move into higher skilled positions and promoting from within the business. The effective use of current staff ensures that the company can operate with fewer workers during difficult economic times. Some companies choose to cross train employees to maintain a flexible workforce that can perform in multiple roles when necessary.

4.Improve Resource Allocation

When a business determines the staffing levels and skills required for specific departments in the company, the business owner can allocate resources in the budget to fund recruitment, hiring and training costs as well as finance salaries for new employees. Workforce planning analysis can also determine that the current staffing levels are adequate, but existing employees require additional training to keep up with changing technologies. In this case, the business owner can shift funding from recruitment and hiring to training and education for current employees. Workforce allows the business to determine the future needs of the organization and to allocate resources to these needs.

Q4. What are the pre-requisites for effective sales planning?

Ans. Following are the major pre-requisites :

1. Well organized personnel department
2. Hearty support from top management
3. Integration with other policies
4. Assigning the planning responsibility
5. Determination of other related policies.

Q5. What are the principles of sales planning?

Ans. Followings principles or guidelines:

1. There is no single method of sales personnel for all organization.

2. The sales planning must be done within the limit of a budget.
3. The size and structure of the organization as well as the changing aspirations of the people should be taken into consideration.
4. It should be in line with the objective of the organization.
5. Sales planning should be an essential part of corporate planning.

Q6. What is sales budgeting?

Ans. A **sales budget** is a detailed schedule showing the expected sales for the budget period; typically, it is expressed in both dollars and units of production. An accurate sales budget is the key to the entire budgeting in some way. If the sales budget is sloppily done then the rest of the budgeting process is largely a waste of time.

The *sales budget* will help determine how many units will have to be produced. Thus, the production budget is prepared after the sales budget. The production budget in turn is used to determine the budgets for manufacturing costs including the direct materials budget, the direct labor budget, and the manufacturing overhead budget. These budgets are then combined with data from the sales budget and the selling and administrative expenses budget to determine the cash budget. In essence, the sales budget triggers a chain reaction that leads to the development of the other budgets. The selling and administrative expenses budget is both dependent on and a determinant of the sales budget. This reciprocal relationship arises because sales will in part be determined by the funds committed for advertising and sales promotion.

Q.7. Example or Sample of a Sales Budget:

Ans. Following is the sales budget of Hampton Freeze Inc. (see explanation of this budget)

HAMPTON FREEZE, INC.
Sales Budget
For the Year Ended December 31, 2003

	Quarter				
	1	2	3	4	Year
Budgeted sales in cases	10,000	30,000	40,000	20,000	100,000
Selling price per case	$ 20.00	$ 20.00	$ 20.00	$ 20.00	$ 20.00
	-----------	-----------	-----------	-----------	-----------

Total sales	$ 200,000	$600,000	$800,00	$400,000	2,000,000
	======	======	======	======	======
Percentage of sales collected in the period of the sales			**70%**		
Percentage of sales collected in the period after the sales			**30%**		
	70%	**30%**			

	Schedule of Expected Cash Collections					
1	Accounts receivable, beginning balance	$90,000				$90,000
2	First quarter sales	140,000	$60,000			200,000
3	Second quarter sales		420,000	$180,000		600,000
4	Third quarter sales			560,000	$240,000	800,000
5	Fourth quarter sales				280,000	280,000
		----------	----------	----------	----------	----------
6	Total cash collections	$230,000	$480,000	$740,000	$520,000	$1,970,000
		======	======	======	======	======
1	Cash collections from last years fourth-quarter sales.					
2	$200,000 × 70%; $200,000 × 30%					
3	$600,000 × 70%; $600,000 × 30%					
4	$800,000 × 70%; $800,000 × 30%					
5	$400,000 × 70%					
6	Uncollected fourth quarter sales appear as accounts receivable on the company's end of year balance sheet.					

Explanation of sales budget for Hampton Freeze Inc.

This example contains the sales budget for Hampton Freeze for the year 2009, by quarters. Notice from the example that the company plans to sell 100,000 cases of popsicles during the year, with sales peaking in the third quarter.

After preparing sales budget, a **schedule of expected cash collections** is also prepared such as the one that appear in our example. Cash collections consists of sales made to customers in prior periods plus collections on sales made in the current budget period. In our example, 70% of sales are collected in the quarter in which the sales are made and the remaining 30% are collected in the following quarter. For example, 70% of the first quarter sales of $200,000 (or 140,000) is collected during the first quarter and 30% (or $60,000) is collected during the second quarter.

Q8. What are the methods of sales budgeting?

Ans. There are two methods of sales budgeting.

1. Top-Down Budgeting

2. Bottom-Up Techniques

Top-Down Budgeting

In top-down budgeting, top management sets the overall amount the company will spend on promotional activities for the year. This total amount is then allocated among all of the advertising, PR, and other promotional programs

Percentage-of-Sales Method

The percentage-of-sales method is the ratio of the firm's past annual promotional budget divided by past sales to arrive at the percentage of sales. That percentage of sales is then applied to the expected sales in the coming year to arrive at the budget for that year.

Industry Averages Method

Some companies use industry averages (published by trade associations) as a guide to set their promotional budget. Ad-to-sales ratios vary widely depending on the industry.

Pros and Cons of Top-Down Methods

The advantages of top-down approaches are their speed and straightforwardness. The disadvantage is that the methods look to the past as a guide, rather than to future goals.

Bottom-Up Techniques

Alternatively, some companies begin the budgeting process each year with a clean slate. They use bottom-up budgeting techniques, in which they first identify promotional goals (regardless of past performance) and allocate enough money to achieve those goals.

Objective-Task Method

The objective-task method is the most common technique of bottom-up budgeting. Companies that use this method first set the objective or task they want the promotion to achieve. Next, they estimate the budget they will need to accomplish that objective or task. Finally, top management reviews and approves the budget recommendation.

Stage-Based Spending

Some companies use the product life cycle method, in which they allocate more money during the introduction stage of a new product than in later stages when the product is established.

Q.9 Developing a sales budget we need ?

Ans. Review and analysis of the situation
Identifying specific market opportunities and problems
Sales forecasting
Communicate sales goals and objectives
Preliminary allocation of resources
Preparing the budget
Getting approval for the budget

Q10. What sales quotas?

Ans. Individual sales target figure assigned to each sales unit such a sales person, dealer, distributor, region, or territory, as a required minimum for a specified period (month, quarter, year). Sales quotas may be expressed either in dollar figures (monetary terms) or in number of goods or services sold (volume terms).]

Q11. Setting Sales Quotas for Your Sales Team.

Ans. If instead your goal is to develop *good* quotas for your sales team that help improve sales productivity, read on. This article outlines the process for setting quotas that will not only help establish realistic sales goals but also will motivate your team.

1. Establish parameters for developing quotas

The start of the quota-setting process is to look at history to determine what sales success your team has had in the past or what sales success your team is likely to have in the future. Common parameters that can be used to define quotas include:

- Historical trends: How much of which product lines have been sold in your various sales territories over time?
- Last year's revenue: What was the total revenue from all products and sales territories?
- National standards: How much did all vendors (selling the same types of products) sell?
- Territory analysis: How much does each salesperson think can be sold in his or her territory based on the existing pipeline and recent successes?

The best quota-setting practices include looking at several of these parameters. For example, you might look at historical trends while your staff members go through their own records for a detailed territory analysis.

2. Add a growth expectation

Step one helped you understand history. Now you have to take the next step to predict revenues for the next year (and then convert that revenue into quotas for your sales team). Each company has its own method for determining how much growth in revenue should be achieved. That expectation should be:

- Realistic: What is doable for your products in the current state of your market? Some industries can realistically expect sales growth of 5% while others may see 100%.
- Challenging: The goals you set should require each member of your team to work hard to meet the assigned goals.

3. Adapt the quotas to each sales rep

Adding the figures from steps one and two, you have the total revenue expected from your sales force. You could now be tempted to divide this total revenue by the number of salespeople to define the quota for each person. But in fact, not all salespeople are created equal. And not all sales territories are created equal.

Instead, look at each salesperson individually before determining the appropriate quota to assign. Some factors you need to consider are:

- Tenure: Sales reps who have been with your company for several years have well-developed pipelines and contacts within their territories. They are more likely to sell more than those who have just joined your sales team.
- Assigned job: If you have different types of salespeople within your team, you may need to adjust quotas based on the type of job. The potential for sales of telemarketing people may be different from that of outside salespeople.
- Sales skills: Face it -- some members of your team just have better sales skills than others. Having better sales skills is more likely to result in higher sales results.
- Market potential: Each territory may be different in its needs and appetite for acquiring each of your products.
- Competition. In some territories, the competition may be strong and thereby reduce the potential for sales. In other territories, competition may be weak or non-existent.

Using these factors (and others that might be unique to your company), assess your expectations for each of your sales reps. Then use those expectations to determine the right quota for each person.

4. Get buy-in from your sales team

If quotas are imposed on your salespeople without an explanation of how they were defined, the result could be resistance. It's important to have your staff buy in to your process for setting quotas, believe that these goals are achievable and work toward meeting or exceeding their assigned quotas.

To increase the buy-in of your sales staff to your quota-setting process:

- Start with a planning meeting. In one of your sales meetings, outline the process you'll be using to set quotas. Describe each of the steps you will be taking and the likely completion date. Most importantly, explain how your team will be involved in this process.

- Have your reps help gather information for the quota-setting process. Let your salespeople gather the information about their individual territories that you will use as one of the parameters for setting your quotas.

- Meet with each person to determine an individual quota. In the meeting, discuss any factors that might influence the setting of that person's quota. Make it a joint decision, if possible, to assign a specific quota.

5. Adapt quotas to market realities

No matter how careful we are in our plans to set revenue targets or break these targets into quotas, we cannot predict what will happen in the economy. Changes in market conditions are inevitable. That means that quotas may have to be changed accordingly. Set a timetable for yourself to periodically review and assess your team's quotas. That way, you can make any necessary adjustments.

Q12. What Is Sales Analysis?

Ans. The essence of business analysis is to enable management to have accurate information on sales in an effort to improve company profit margins. Analysis helps a business come up with a sales strategy by identifying customers through demographics, for instance. Sales analysis also helps a business know which products are selling and which are not.

Q13. What is Sales forecasting ?

Ans. Sales forecasting is an integral part of business management. Without a solid idea of what your future sales are going to be, you can't manage your inventory or your cash flow or plan for growth. The purpose of sales forecasting is to provide information that you can use to make intelligent business decisions.

Q14. According to modern managers what are the sales forecasting methods?

Ans. Modern Managers have several different methods available for Sales Forecasting.

Popular methods are:

1. **Jury of Executive Opinion Method**
2. **The Salesforce Estimation Method**
3. **Time Series Analysis Method**

1. **Jury of Executive Opinion Method:**

In the Jury of executive opinion method of Sales Forecasting, appropriate managers within the organization assemble to discuss their opinions on what will happen to sales in the future.

Since these discussion sessions usually resolve around hunches or experienced guesses, the resulting forecast is a blend of informed opinions.

A similar, forecasting method, which has been developed recently is called the DELPHI Method. Delphi Method also gathers, evaluates, and summarizes expert opinions as the basis for a forecast, but the procedure is more formal than that for the jury of executive opinion method.

The **Delphi Method** has the following steps:

1. STEP 1 – Various Experts are asked to answer, independently and in writing, a series of questions about the future of sales or whatever other area is being forecasted.
2. STEP 2 – A summary of all the answers is then prepared. No expert knows, how any other expert answered the questions.
3. STEP 3 – Copies of summary are given to the individual experts with the request that they modify their original answers if they think it necessary.
4. STEP 4 – Another summary is made of these modifications, and copies again are distributed to the experts. This time,however, expert opinions that deviate significantly from the norm must be justified in writing.
5. STEP 5 – A third summary is made of the opinions and justifications, and copies are once again distributed to the experts. Justification in writing for all answers is now required.
6. STEP 6 – The forecast is generated from all of the opinions and justifications that arise from step 5.

2. **Sales force estimation method**:

The Sales Force Method is a sales forecasting technique that predicts future sales by analyzing the opinions of sales people as a group.

Salespeople continually interact with customers, and from this interaction they usually develop a knack for predicting future sales.

As with the jury of executive opinion method, the resulting forecast normally is a blend of the informed views of the group.

The sales force estimation method is considered very valuable management tool and is commonly used in business and industry throughout the world.

This method can be further improved by providing sales people with sufficient time to forecast and offering incentives for accurate forecasts.

Companies can make their sales people better forecasters, by training them to better interpret their interactions with the customers.

3. Time series analysis method:

The time series analysis method predicts the future sales by analyzing the historical relationship between sales and time.

Although the actual number of years included in a time series analysis will vary from company to company, as a general rule, managers should include as many years as possible to ensure that important sales trends do not get undetected.

Q15. How to set up sales territories ?

Ans. When you're looking at the map and figuring out how to split up sales territories, how do you decide which salesperson to send to drive all up and down and which one gets to just walk a few blocks around .

Deciding how to divide sales territories create the most efficient environment for your sales team is more difficult than just drawing lines on a map. The process requires a good dose of foresight that's needed to make sure you allow room for the company to grow.

Poorly aligned sales territories can cause low employee morale, lost clients and squandered resources. Experts from the fields of sales management and data analytics share these tips for setting up the best sales territories.

Keep Your Ultimate Goal in Mind When Establishing Sales Territories

Before you start carving up the map and sending your sales team out into the world, take some time to think about what you're trying to accomplish.

"Start at the top: what is the target revenue, the overall revenue goal?" says Marie Warner, president of Warner Professional Sales. "Given that goal, what are my targets? Once I have those targets, how am I going to sell to them?"

If you're a start-up, you can't come right out of the gate hiring a huge sales force. You have to start strategically by meeting revenue goals in small areas and then gradually growing the territories.

"It's like a chess game," she says. "Do not do point to point; try to think moves ahead."

Collect Lots of Data

Many companies these days use some form of analytics software to figure out the best way to establish their sales territories. But experts say the quality of the outcome is only as good as the data you can feed into it.

Most pros say they start by ranking customers or clients into different categories based on the percentage of revenue they generate vs. the time spent servicing them. The "A" clients might be the most reliable ones, the "Bs" and "Cs" might be promising but work-intensive clients, while the rest are require a lot of effort for little return.

Review the Sales Territories Periodically

Sales managers make a common mistake of blaming the territory for a bad salesperson. While a certain member of the team may be better at locking down clients than another, you shouldn't be messing with the territory boundaries to help the weaker employe

Q16. Define cost analysis?

Ans. The accumulation, examination, and manipulation of cost data for comparisons and projections.

Q17. Main types of cost analysis?

Ans. There is a variety of approaches to cost analysis, the suitability of any of which depends upon the purpose of an assessment and the availability of data and other resources. It is rarely possible or necessary to identify and quantify all costs and all benefits (or outcomes), and the units used to quantify these may differ.

Main types of cost analysis include the following.

- *Cost-of-illness analysis:* a determination of the economic impact of an illness or condition (typically on a given population, region, or country) e.g., of smoking, arthritis or bedsores, including associated treatment costs
- *Cost-minimization analysis:* a determination of the least costly among alternative interventions that are assumed to produce equivalent outcomes
- *Cost-effectiveness analysis (CEA):* a comparison of costs in monetary units with outcomes in quantitative non-monetary units, e.g., reduced mortality or morbidity
- *Cost-utility analysis (CUA):* a form of cost-effectiveness analysis that compares costs in monetary units with outcomes in terms of their utility, usually to the patient, measured, e.g., in QALYs
- *Cost-consequence analysis:* a form of cost-effectiveness analysis that presents costs and outcomes in discrete categories, without aggregating or weighting them
- *Cost-benefit analysis (CBA):* compares costs and benefits, both of which are quantified in common monetary units

Chapter 3

Organizing and Directing the Sales Force

Q1. What is recruitment and selection of sales personnel?

Ans. The recruitment and selection of sales personnel varies from company to company depending on the type of sales personnel which the company is going to need. An engineering company will need sales personnel who are very strong in their technical education. Such as machinery sales, engineering companies etc. Further more the executives personalities too matter. In a corporate / B2B type of organization, personality and presentation styles do matter a lot.

Q2. <u>7 Steps to Sales Recruitment So You Don't Recruit a Sales Dog</u>. Or (Process of Sales Recruitment)

Ans. Step 1: Your Industry Is Different

Of course your industry is different. However sales is based on human psychology and relationships.

So understand that if you recruit a super star sales person they don't need to have worked in your industry at all. Truly great salespeople can apply sales principles to any industry. So don't limit yourself to sales people in your own sector or niche.

Some sectors, such as finance, do require sales people to have certification. However getting a great salesperson means you seriously need to consider whether you're willing to train them to get their certification.

Step 2: Advertise The Right Way

Too many sales recruitment adverts are all about the job, very little about the sort of person they want to recruit.

Your advert needs to stand out, capture the attention of the best sales people and to challenge them to apply for the job. At the same time you want to use the advert to frighten (yes I mean frighten) the people who think they "might be OK at sales", or "I usually make my figures."

Your advert needs to go into the best media to capture the type of sales people you want.

Step 3: Give Sales Spiel Short Shrift

Make sure the advert asks them to ring so you can talk to them before revealing further details about the sales job.

Again, use a short phone interview process, that challenges their ability as a sales person. Break into their sales spiel about how great they are, make sure they sell themselves to you. Ruthlessly get rid of people who obviously aren't sales superstars. Those that are make sure that you interview them quickly (within a week). Otherwise they're off with another company – if they're looking you're not likely to be the only iron in their fire.

Step 4: Conduct A Psychological-based Interview

Use a structured interview that you ask all the candidates the same questions. I use a pre-formatted series of questions that experience has shown brings out the best (and worst) during interviews.

A psychological-based interview is used to understand the attitudes a person has and brings to their work. These sorts of attitudes are reflected in their childhood and their experience in the job market so be aware that the best sales people can have very unusual CVs.

Also make sure your prospective sales person can mark themselves against a series of sales abilities you know every sales person needs.

Finally make sure they can really sell themselves to you before you even consider short-listing them.

Step 5: Perform a Sales Profile Test

It's always important to understand the strengths and weaknesses of any candidate. If you're convinced they're a strong contender it's useful to ask them to take a sales profile test. I use one that's been tried and tested to find hundreds of great sales people.

The reason for the test is not to second guess what you've found out during the interview. It's more about confirming what you've found. identifying strengths to build on and weaknesses to be aware of and to counteract.

Step 6: Decide Fast Slowly

Like I said before once a great sales person starts looking for a job they have any number of opportunities to go and work for companies. So if you're sure they're for you offer them the job as soon as is practicable, and of course you should make it dependent on references.

That said don't offer it so quickly that you don't check what they've said or thought about their answers, or considered their profile.

And always make sure that you ask for and take up references. Check the reality of the CV with the referee and also ask about some of the attitudes your interview and the profile has revealed.

Step 7: Hire Slow, Fire Fast

I don't mean make the hire decision slowly. I do mean make sure you go through every step of your sales recruitment process properly. Don't be tempted to jump to the job offer after the first 15 minutes of the interview!

Then once they're in place. Make sure that they understand your industry, what you're selling, your key competitors, your current customers and where you'd like to sell more.

Then monitor their sales activity. Be aware of their weaknesses but don't harp on about them.

If they don't start bringing sales in, ask yourself the reasons. If they're outside of the sales person's control work to remove them. If they're in their control work with them to remove them. Finally if they just don't perform for you get rid of them.

Keeping on a salesperson who doesn't bring in sales is rather like having your brakes on when you're going uphill in your car. The likelihood of getting to the top of the hill is nil. And in fact with the brakes on the rest of the car is more likely to go straight back down the hill!

Q3. What is sales training?

Ans. Sales training is often actually product training, with the focus being on training the sales people on how to demonstrate products. Although this is essential, it is not really teaching people how to *sell.*

Q4. What are the types of sales training?

Ans. As a company, you need to offer a range and depth of sales training. Many companies forget the depth component and continue to put the same sales people through "Sales 101" year after year. We recommend a tiered approach to sales training, where an individual's competencies in certain areas are measured prior to training, to ensure the training they attend is appropriate to their skill levels and the role they undertake.

Having said that there are a number of core modules that can be used as the basis of a sales training program. These modules would possibly include the following:

- **Basic selling skills**
  - Planning at the territory, account and call level
  - Introduction or opening, building customer rapport
  - Questioning and listening - in our eyes absolutely key skills for any sales person
  - Presentation or proposal
  - Overcoming objections and negotiating
  - Closing, a natural consequence of the work already done
  - Implementation and follow up
- **Sales process implementation**
  - Facilitates the customer's progression through the buying process
  - Applies appropriate tactics to guide the process towards a favorable decision.
- **Account management**
  - Develops objective-driven, actionable plans with the customer

  - Call/Account strategies support business growth at the customer and align with overall customer plan
  - Constructs strong profit, margin, ROI, and cost/benefit analyses to track progress
  - Distils data and information sources into actionable conclusions
- **Opportunity planning**
  - Develops objective-driven, actionable plans with the customer
  - Call/Account strategies support business growth at the customer and align with overall customer plan
  - Constructs strong profit, margin, ROI, and cost/benefit analyses to track progress
  - Distils data and information sources into actionable conclusions
- **Value based selling**
  - Able to develop a broad offering for the customer (or channel partner)
  - Creates solutions for the customer drawing from the entire company solution (technology, products and processes)

Q5. What is motivation of the sales person?

Ans. Your Sales Force is your Revenue Generating Engine. Does the engine need a tune-up? Are you giving high octane fuel to your sales force engine, or are you pushing the pedal to the metal and never getting out of second gear? The right motivation can accelerate sustainable revenue growth.

Q6. Methods to motivate sales person?

Ans. Common Tips to Motivate A Sales Team:

- Create a clear sales plan
- Provide ample sales training
- Set achievable goals
- Empower your sales team
- Establish a solid base salary in addition to their commissions and bonuses
- Provide positive feedback and recognition
- Celebrate the successes
- Communicate frequently with your team and have an open door policy
- Involve your sales team with setting quotas, sales plans, sales goals
- Set challenging goals

- Motivate with significant bonuses
- Established sales contests or sales games
- Provide sophisticated sales tools, from the best CRM, to marketing support, to internal support
- Spend time helping out on sales calls
- Grant sales' awards, such as sales person of the month or sales person of the year
- Adjust compensation plans to increase motivation
- Hire motivational speakers

Q7. What is compensation?

Ans. Compensation in the global market is an extremely important managerial area.

- This is because the compensation plan:
  - Helps attract potential salespersons
  - Impacts a salesperson's motivation
  - Is a determinant of status and value
  - Determines lifestyle and purchasing power

Q.8. Types of Compensation Plans?

Ans. Three Types of Compensation Plans

- Straight Salary
- Straight Commission
- Combination Plan

1. Straight Salary

- Salesperson paid a set amount of money based upon hours or days worked
  - Often adopted when salesperson must devote significant amounts of time to other duties
    - Market research, customer service, administration
  - Simple to administer by sales manager
  - But, no direct link between performance and reward!

  - More commonly used in Europe and may be difficult to change by global sales managers

2. Straight Commission

- Adopted by performance-oriented firms that pay salesperson for their achievements
  - Each person is paid a percentage of their total sales
    - Easy to evaluate performance
    - Plans encompass an element of insecurity
    - Not believed acceptable in some cultures, like EU
    - Some evidence of acceptance in Japan
    - Can lead salesperson to shirk duties or pressure customers to buy

3. Combination Pay Plan

- The combination plan is the most popular
  - Employed by more than 80% of US firms
  - May appear in many forms:
    - Salary, commission, individual and group bonuses
  - Basic security bestowed by set salary
  - Motivation introduced by commission/bonus
- Combination plans more time consuming for sales managers to oversee

Ethical Compensation Issues

- Major dilemma – hire the best salesperson for the lowest possible salary. Other dilemmas include:
  - Pay at, below or above market salaries?
  - Setting a cap on total pay?
  - Assigning lucrative sales territories?
  - Team vs. individual incentives?
  - Frequency of paying commission?
  - Pay discrimination?

Q9. Leading the sales force.

Ans. When people and resources are both scarce and expensive, every investment in your sales force must count. The sales force is a major growth engine for a firm, as well as a critical source of market feedback. Yet it is also a substantial investment — and one that can rapidly grow out of control. Stimulating the sales force while simultaneously controlling costs is the balance you must achieve. In this course, you will learn how to cut costs while raising sales — by analyzing your sales calls, realigning territories, shifting product or market emphasis, reallocating salesperson time, and adjusting sales force size. You will explore how to motivate and compensate salespeople and third-party distribution channels through pay systems and organizational structures.

Q10. 5 Steps to Leading a Sales Force

Ans. **1. Set Post Announcement Metrics:** It is essential to set some immediate goals to ensure that the management team is clear on what you are trying to achieve in the short-term. Some goals may be:

- To retain all top performers
- To regain productivity and positivity as quickly as possible
- To transition to a new way of doing business

2. Win their Hearts: You need to win their hearts before you win their minds. Buy-in is crucial. The managers need not only to believe in the changes but in their future roles within the organization. The real work starts after all the announcements have been made and the layoffs completed. Senior sales management must now shift their focus onto the remaining sales managers and sales people.

3. Be an Empathetic Leader: The key is to be open. Listen. Help your staff deal with their emotions and be empathetic. By showing concern and interest, you will be working towards getting everyone back on board. Set up weekly group meetings to provide feedback on how the transition is progressing. Put out the small fires and try to address them before they become infernos.

4. Offer Support: Your efforts need to be focused on coaching and encouraging people to be successful in transitioning to the new vision. Be available, be present, and be there for your people. You may want to offer your sales manager's access to an executive sales coach to help them deal with any issues. An executive sales coach can help accelerate the transition by offering an unbiased sounding board and be an outlet for managers to discuss issues that they may not be comfortable raising with you.

5. Promote and Communicate Positivity: You need to exude optimism and a "can do" attitude regarding the transition. Promote optimism and positive thinking in all your communications. Be sure to highlight positive movements and all success stories, no matter how minor. Reward each success and allow the people who adjust quicker to become role models for the team.

Q11. How to Evaluate Sales Performance ?

Ans. 1 Decide on a timeframe to evaluate sales performance, i.e. monthly, quarterly or annually. Do not make impetuous decisions without giving sufficient time for the sales executive/team to perform.

2 Choose the determinants to evaluate sales performance. You should take into account current market trends, product type and customer preferences while choosing determinants. Sales volume, profit margins, ability to meet targets, number of new accounts added, retention of existing accounts, customer satisfaction, initiative, adaptability, and leadership are some of the factors that have to be considered while evaluating sales executive/team performance.

3 Give equal importance to quantity and quality of business generated as sometimes the business might suffer losses though sales executives/teams exceed sales targets. This could be due to reduced markups to outdo competition. Healthy profit margins are essential for sustenance and future growth of any business. So ensure that your sales executive/team makes a profitable sale.

4 Conduct periodic product reviews with your sales team and customers. This will enable you to know about any improvements to be made. It would be unfair to blame the sales team when your product is not up to the mark. You will get to know the customer's opinion and the rapport they share with your sales executive/team during the review.

5 Make a note of the average expenditure incurred by the sales executive/team for every call made on a client. This should take into account travel, accommodation, telephone and entertainment costs. Sales executives should make calls based on the sales and profit potential of a prospect. Making calls for servicing of existing accounts will adversely affect profitability.

6 Take the opinion of colleagues, superiors and customers while rating the appearance, attitude, motivation, cooperation level and team spirit of a sales executive. It would be encouraging to the sales team if you accompany them occasionally on their trips to an existing customer and/or prospect. You can get a first-hand impression of the abilities of various individuals in the sales team.

7 Assign grades that indicate the performance level and also mention areas where there is scope for improvement. You can have grades like 1, 2, 3 and 4 with each denoting various levels of performance like bad, average, good and excellent.

Chapter 4

Distribution Management

Q1. What is Distribution Management ?

Ans. Determines optimal quantities of each product to be made at each plant and to be distributed to each warehouse, such that manufacturing.

***Q2. What is* Logistics and marketing management ?**

Ans. Logistics and marketing management are concerned with the effective flow of products and services in the economy and pertain to the distribution of both consumer and industrial goods. Marketing is considered to be a vital part of an economy and there is a need for an efficient marketing system which can ensure that all marketing activities are carried out in accordance with the predefined goals of the business.

Logistic managers are given the task of marketing logistics as well as communicating logistics with a purpose of positioning logistics in the present competitive environment. The cut-throat competition so commonly associated with many current organizations has caused most businesses all over the world to remain proactive and any organization which ignores the importance of logistics has to blame itself. The entire purpose of logistics is defined when the logistics managers start to take marketing initiatives.

Q3. Functions of a Distribution Channel

Ans. The main function of a distribution channel is to provide a link between production and consumption. Organisations that form any particular distribution channel perform many key functions:

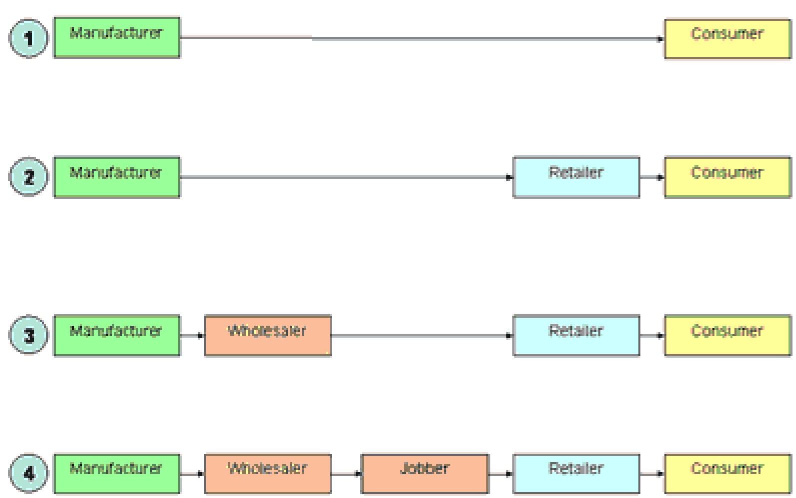
Information	Gathering and distributing market research and intelligence - important for marketing planning
Promotion	Developing and spreading communications about offers

Contact	Finding and communicating with prospective buyers
Matching	Adjusting the offer to fit a buyer's needs, including grading, assembling and packaging
Negotiation	Reaching agreement on price and other terms of the offer
Physical distribution	Transporting and storing goods
Financing	Acquiring and using funds to cover the costs of the distribution channel
Risk taking	Assuming some commercial risks by operating the channel (e.g. holding stock)

All of the above functions need to be undertaken in any market. The question is - who performs them and how many levels there need to be in the distribution channel in order to make it cost effective.

Q4. Numbers of Distribution Channel Levels

Ans. Each layer of marketing intermediaries that performs some work in bringing the product to its final buyer is a "channel level". The figure below shows some examples of channel levels for consumer marketing channels:



Examples of Customer Marketing Channels

In the figure above, Channel 1 is called a **"direct-marketing"** channel, since it has no intermediary levels. In this case the manufacturer sells directly to customers. An example of a direct marketing channel would be a factory outlet store. Many holiday companies also market direct to consumers, bypassing a traditional retail intermediary - the travel agent.

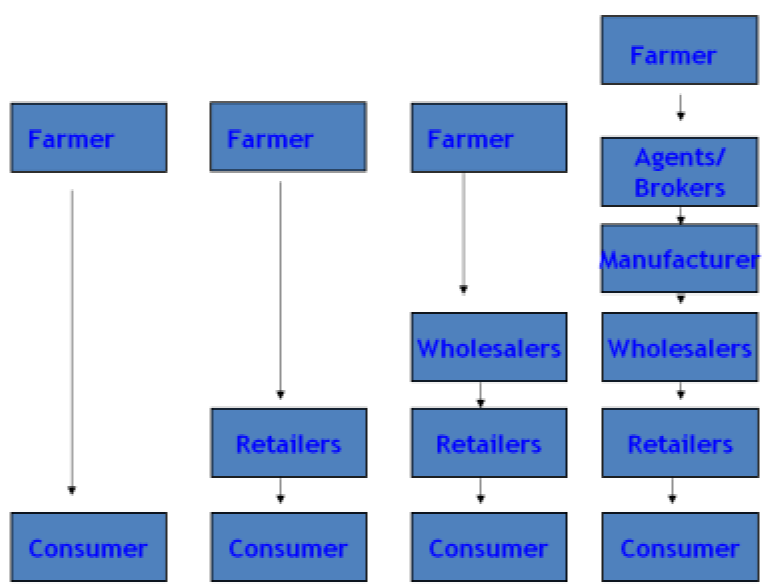
The remaining channels are "**indirect-marketing channels**".

Channel 2 contains one intermediary. In consumer markets, this is typically a **retailer**. The consumer electrical goods market in the UK is typical of this arrangement whereby producers such as Sony, Panasonic, Canon etc. sell their goods directly to large retailers such as Comet, Dixons and Currys which then sell the goods to the final consumers.

Channel 3 contains two intermediary levels - a wholesaler and a retailer. A wholesaler typically buys and stores large quantities of several producers goods and then breaks into the bulk deliveries to supply retailers with smaller quantities. For small retailers with limited order quantities, the use of wholesalers makes economic sense. This arrangement tends to work best where the retail channel is fragmented - i.e. not dominated by a small number of large, powerful retailers who have an incentive to cut out the wholesaler. A good example of this channel arrangement in the UK is the distribution of drugs.

Q5. Different distribution channel ?

Ans.



Q6. What is vertical market system (VMS)?

Ans. Definition

Formally or informally coordinated distribution channel where its independent members work together to achieve greater efficiency and economies of scale, and to eliminate channel-conflict arising out of disparate individual objectives.

Three common types of VMS are:

(1) Administered: coordination between production and distribution firms is achieved by the size and influence of the dominant firm, without a formal agreement or ownership.

(2) Contractual: independent production and distribution firms formally agree to integrate their resources. Franchising is an example of this type.

(3) Corporate: production firm owns a retail chain (forward integration) or a retail chain owns a production firm (backward integration).

Q7. What is horizontal market system (HMS) ?

Ans. Definition:The term **horizontal integration** describes a type of ownership and control. It is a strategy used by a business or corporation that seeks to sell a type of product in numerous markets. Horizontal integration in marketing is much more common than vertical integration is in production. Horizontal integration occurs when a firm is being taken over by, or merged with, another firm which is in the same industry and in the same stage of production as the merged firm, e.g. a car manufacturer merging with another car manufacturer. In this case both the companies are in the same stage of production and also in the same industry. This process is also known as a "buy out" or "take-over". The goal of Horizontal integration is to consolidate like companies and monopolize an industry.

Q8. What is channel management and explain its programs?

Ans. The process by which a producer or supplier directs marketing activity by involving and motivating parties comprising its channel of distribution.

Channel Management. Yet another sales and marketing phrase that is thrown around like everyone knows what it means. But so few companies really comprehend channel management in a way that really helps them. It's really no wonder. Sales channels (being the conduits by which we distribute our products to the end-user) come in many shapes—from direct, to the web, to the traditional retail environment. And, we're just doing whatever we can to get any business from any of them! But is that the most efficient and effective approach?

That's where Channel Management comes in. Channel management, as a process by which a company creates formalized programs for selling and servicing customers within a specific channel, can really impact your business—and in a positive way! To get started, first segment your channels by like characteristics (their needs, buying patterns, success factors, etc.) and then customize a channel management program that includes:

1. **Goals.** Define the specific goals you have for each channel segment. Consider your goals for the channel as a whole as well as individual accounts. And, remember to consider your goals for both acquisition and retention.
2. **Policies.** Construct well-defined polices for administering the accounts within this channel. Be sure to keep the unique characteristics of each segment in mind when defining policies for account set up, order management, product fulfillment, etc.
3. **Products.** Identify which products in your offering are most suited for each segment and create appropriate messaging. Also, determine where your upsell opportunities lie.
4. **Sales/Marketing Programs.** Design support programs for your channel that meet THEIR needs, not what your idea of their needs are. To do this, you should start by asking your customers within this segment, "how can we best support you in the selling and marketing of our products?" That being said, the standard considerations are product training, co-op advertising, seasonal promotions, and merchandising. Again, this is not a one-size fits all, so be diligent about addressing this segment's SPECIFIC needs in these areas.

Defining a channel management strategy for each segment allows you to be more effective within each segment, while gaining efficiency at the same time. Still, maintaining brand consistency across all channel segments is critical to your long-term success. So find a good balance between customization and brand consistency and you'll be on your way to successful channel management.

Chapter 5

Channel Institutions & control

Q1. What is Wholesaling?

Ans. Wholesaling is the process of selling goods and services to a client who will in turn resell those products to other consumers. Wholesalers can include retailers, organizations who market services to members, and companies that sell the purchased products under their own brand. Generally, wholesaling involves providing the customer with a discounted rate per item in exchange for buying the item in large amounts.

Q2. What are the benefits of Wholesaling?

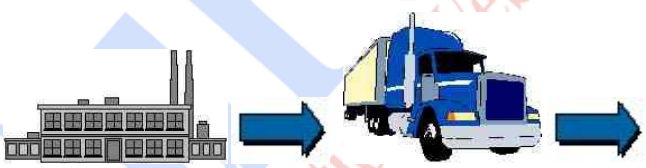
Ans. Wholesaling offers a number of benefits to a customer. First, the customer does not have to maintain manufacturing facilities to produce goods or services that are offered to the general public for sale. This can make it possible for the wholesale customer to maintain a relatively low overhead in the market, which in turn increases the customer's ability to be competitive with larger companies. The wholesale client also saves money in terms of employee wages and benefits, since the company can operate with a smaller work force.

Going with a wholesaling solution also allows the customer to secure goods and services for resale at a lower unit price. Assuming the terms for payment are agreeable, this means that a wholesaler can resell the products at a reasonable profit and use payments from consumers to pay the wholesale provider in a relatively short period of time. This has the advantage of not tying up the assets of the wholesaler in covering Accounts Payable items, since the turnaround on the Receivables is adequate to handle the cost of securing products for resale.

Q3. What is Retailing?

Ans. Retailing involves selling products and services to consumers for their personal or family use. Department stores, like Burdines and Macy's, discount stores like Wal-Mart and K-Mart, and specialty stores like The Gap, Zales Jewelers and Toys 'R' Us, are all examples of retail stores. Service providers, like dentists, hotels and hair salons, and on-line stores, like Amazon.com, are also retailers.

Many businesses, like Home Depot, are both wholesalers and retailers because they sell to consumers and building contractors. Other businesses, like The Limited, are both manufactures and retailers. Regardless of other functions these businesses perform, they are still retailers when they interact with the final user of the product or service.

Manufacturer 

Distributors/Wholesalers Retailers

Consumers

Q4. What is Channel information systems?

Ans. Channel information systems comprise an information database and the hardware and networks that help in the collection, processing and transmission of information. The hardware, software and networks vary depending on the application requirements of channel members. They vary for business-to-business applications, retailing applications, business to consumer applications and interactive applications for consumers. Transaction-Based Information System (TBIS), Continuous Replenishment Program (CRP), Efficient Consumer Response System (ECR), Point-of-Sale Systems (POS), Quick Response System (QR), Electronic Data Interchange (EDI) etc., are some commonly used information systems.

Q5. What are the future trends in sales and marketing ?

Ans. Future Trends in Sales & Marketing

By: Thomas Young

"The problems we face today cannot be solved by the same level of thinking that created them."

- Albert Einstein

The only certainty in our future is change, which often happens before we are prepared. Here are a few hot marketing trends that can help you better plan for the new millennium.

Customers are in the Driver's Seat

Customers will drive business outcomes in the future even more than they do today. An incredible amount of buying options puts real power in the hands of the customer. If organizations cannot meet customer needs or add value, the customer can easily move on. Customer service and sales teams are the voice of the customer and should drive marketing strategies. Investing in excellent customer service will help organizations to prosper.

The goal is to partner with the customer. Partnerships are built on trust, immediate problem-solving, frequent contact, honest communications, and a win-win relationship. Relationships of this nature meet needs and add value to the customer. No longer can customers be thought of as a tool for personal gain. Rather, the focus must be on the customers gain and making their needs the key issue. Customers are the reason businesses exist. Many organizations tend to forget this over time. The future will force them to realize the real boss, the customer.

Prepare for the Internet

The Internet is the most powerful marketing tool in history. It could be the most powerful development since the assembly line, the automobile or the telephone.

This is an excellent opportunity to expand your marketing reach. The future will be a time of immediate and personalized satisfaction. Customers want it now and the Internet will satisfy that gratification. The Internet is not a quick fix solution; it takes much time and effort to gain rewards. However, the rewards are huge for those that jump on board.

Technology will Over-Promise and Under-Deliver

Do not look to technology to make marketing easier. It will make it more challenging. Technology can offer false hope because no one really knows which technologies will take off and which will stagnate. It is best to approach the promise of high-tech cautiously and following extensive research. There are no quick fixes. Any business tool requires hard work and a substantial investment, before you see substantial rewards.

Creativity: The Spark that Grows Business

Companies that are proactive innovators and create new value will thrive. Tap into organizational creativity and develop strategies that will result in new areas of business prosperity. These business leaders will create change and force competitors to adapt or fall behind.

Other Trends:

Increased cost of direct mail will result in more targeting.

Telemarketing will increase to generate leads.

Pricing will be more important and closely tied to customers perceived value.

Supply will continue to exceed demand and keep prices and inflation low.

Global selling will continue to rise.

People will be more selective about their work and only work in areas they enjoy.

M.B.A. (Sem.III)
(Main & Back) Examination, December-2010
Sales & Distribution Management (Minor)

Time: 3 Hours **Total Marks: 70**
Min. Passing Marks: 28

The question paper is divided in two sections. There are sections A and B. Section A contain 6 question out of which the candidate is required to attempt any 4 questions. Section B contains short case study/application base 1 question which is compulsory.
All questions are carrying equal marks.

Use of following supporting material is permitted during examination.

Section-A

1. What do you mean by personal selling? Explain the various sales strategies and methods with examples.

2. Discuss the various factors favoring centralization of sales and promotion activities.

3. What do you mean by sales forecasting, market potential and sales potential? Briefly explain the subjective and objective methods of sales forecasting.

4. What do you understand by the term sales budget? Explain the various factors that should be considered while preparing a sales budget.

5. What are the factors which influence the formulation of sales promotion strategy?

6. How do you allocate distribution cost? Discuss the various cost associated with physical distribution of a "FMCG" product (any).

Section B

As a chief distribution officer of a new entrant for FMCG product for Rural Women, you are given the task to study and recommend appropriate channels of distribution for the Indian market. What factors you will consider before designing the channel strategy?

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M.B.A. (Sem.Ill) Examination, January — 2009
(Elective Major - 309) Sales & Distribution Management
Group : Marketing

The question Paper is divided in two Sections. Section A contains 6 questions out of which the candidate is required to attempt any 4 questions. Section B contains short case study/ application based one question which is compulsory.

All questions are carrying equal marks.

Use oi following supporting material is permitted during examination.

(Mentioned in form No. 205)

1.------------------- Nil--------------------- 2.------------------------- Nil------------------

SECTION — A

1- What is personal selling ? Discuss its nature, scope and objectives. Write the various techniques used today under personal selling 5+5+4

2- What do you mean by sales forecasting ‘? Discuss its important methods and their relative merits and demerits. 5+4+5

3- Explain the selection process of sales personnel. Discuss the effective training methods for their better performance. 7+7

4- What are the major factors which would you take into account, while selecting the distribution channel for consumer durable products? How these affect the product, price and sales promotions. 8+6

5- Explain the role of distribution logistics in an effective marketing strategy. And describe the various element or activities of distribution channel system. 8+6

6- What is retailing ? Discuss its importance. Explain the functions and services rendered by retailer. 4+5+5

SECTION — B

7- Read the following case study and answer the question that follows :

(Motivating Channel Members)

The basic objective of any incentive is to increase sales. Most of the products come to the market through a distribution channel comprising of dealers. Dealers or distributors are the front- runners and the growth of any company largely depends on its channel network, particularly in a highly competitive market. Companies are offering several kinds of incentive schemes to motivate their dealers to fight competition and pursue them to increase sales in spite of all odds, such schemes are now widely used in many industrial sectors, whether they always give the desired results, can be questioned. Let us analyze this in the light of the prime competition sector, the automobile sector. M/s Rajshree Automobiles Pvt. is one of the dealers of one of the leading Indian Automobile Companies. He holds a market share of around 50% and is market leader in his area. With new players coming in, his market share has dropped by 04% in last three years. The profit margins are also squeezing. The company which never used to question him for his performance has now started reviewing his performance on monthly basis and tremendous pressures have built up to increase sales.

In order to support and motivate to dealers the company has come out with an incentive scheme during the peak selling quarter of the year. The scheme was designed to increase the over all market share of the company by 04%. The dealers were given sales targets on the basis of their performance in theprevious year in that quarter, estimated industry growth for the yea and targeted market-share in their areas. The incentive was based on the collection of payment sent by dealers at the end of the quarter.

M/s. Rajshree Automobiles was quite attracted by the scheme and put his best efforts to reach his targets for thequarter. In the process it had to increase the salesman's commission and spend a lot on advertising and field—activities. Inspite of the efforts and expenses, it reached closed to its target but found itself unable to reach the desired figure. In order to achieve the collection figure it arranged some external financeand finally achieved the target.

In lieu of the collection sent it was supplied the vehicles. This increased its wholesale market share, however the retail market share remained to be almost the same. The company was happy to see a rise in the wholesale market share and attributed this to the incentive scheme. They ignored the fact that the entire collection had not come by actual sales and the stock at the dealership and the dealer’s market liabilities have increased.

I In order to attract similar performance, the company extended the scheme for the next month also. Similar happenings took place, however the impact was low. After continuing for eightmonths in this manner, the company stopped the scheme. It was found that the sales started dropping.

In order to gain more and more sales for incentives the dealer increased the salesman commissions. Some contribution of the incentives was also transferred to the end consumers.These gains slowly became an integral part of the salesman's and dealer's income rather than an incentive and when the schemes were taken back they considered this as a reduction in their income and lost the motivation to sell, leading to loss insales.It was observed at the end of the year that the sales had increased but the profitability had gone down. This happened because of the increased expenses on sales promotions activities and interest charges on large stocks and external finances, which was done to achieve the incentive targets.

Question for Discussion :

In the light of above case study, discuss the importance of motivating the channel members. And suggest that how can incentive selling scheme/strategy, help in balancing the market share, profitability and consumer satisfaction simultaneously.

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M.B.A. (Sem.Ill) Examination, January — 2009
(Elective Minor - 309) Sales & Distribution Management
Group : Marketing

Time : 3 Hours] [Total Marks :70]
[Min.Passing Marks : 28]

The question Paper is divided in two Sections. Section A contains 6 questions out of which the candidate is required to attempt any 4 questions. Section B contains short case study/application based one question which is compulsory

All questions are carrying equal marks.
Use of following supporting material is permitted during examination.
(Mentioned in form No. 205)
1. ----------------------Nil------------------ 2.---------------------- Nil----------------------------

SECTION - A

1- Discuss the various steps involved in the process of designing and implementing sales force training. What are the targets! aims of training ?

2- Explain centralized versus decentralized sales organization.

3- Define the concept of "Physical Distribution. Discuss strategic issues and the future of physical distribution management.

4- What are the major sales factors influencing the sales compensation flow ?

5- Write short notes on : .
(1) Channel dynamics
(2) Channel integration
(3) Operation of logistic system
(4) Sales budget.

6- What is a sales quota ? Discuss the advantages and disadvantages of quota system and also that of involving dealers and sales team.

SECTION - B

Read the following case and answer the questions : .

Sales promotion schemes are devised to motivate the consumer to take that last step and buy the product. This objective has to be held sacrosant while formulating a promotion scheme.The soft drinks industry is organised.

The soft drinks company supplies concentrate to the bottling company. The bottler adds water and gas to the concentrate, packs it and delivers the finished product to the distributor. The distributor then delivers the product to the retailer and the retailer to the consumer. The marketing message reaches the consumer directly from the company that makes and markets the concentrate. But message like sales promotion actually passes through three hands before ,it reaches Hnal destination. Often, there are accidents on this journey. _

The soft drinks company offers different types of schemes.The schemes that offer gifts on purchase reach the consumer because he insists on the gift being advertised. However, those that require involvement by the consumer like turning in crowns along with/without money for gifts are not relished by the consumer.

This is because :

(1) The consumer is not excited enough to bite the bait. The consumer bites the bait only when his/her perceived value of the benefit is high. A scheme like 'look under the crown and get whatever is printed on it' will be successful if the prizes are of extremely high value. Because, if you announce a car or bike and do not say how many of these prizes can be won, then you have done a half-hearted job. The consumer is sure to calculate the probability of a prize. He/she will note participate in the scheme, if he/she thinks that the chance of bagging a prize is remote. Instead, it will create hostility in the consumers mind about the brand.

(2) The company does a callous job relaying the information through the distribution channel. This is often the case l with the soft drink giants. The distribution is the weak } link in these schemes.

(3) The distributor's vans and their salesmen represent the company as far as retailers are concerned. Retailers are enthusiastic about schemes because they think the increase is throughout to their profits. But the distributors salesmen seem to use their judgments in communicating the schemes. They often act as they are doing a favor by telling them about the schemes. But the retailers also watch TV and know about the schemes. And when there is no communication from the distributor, the retailer gets cynical. Not just cynical, retailers are enraged when they learn that the scheme is not on offer in their area or has not been communicated by the distributor's representatives. There

are instances (not stray ones) where a retailer has no idea about a scheme which is being offered by a neighboring retailer. The company cannot afford to differentiate between retailers when it is advertising the schemes on the national channel. Bar owners are not interested in promoting the schemes because of the profile of their clientele. Hotel owners A are one up; they always serve soft drinks in glasses. The staff of the hotel/bar tend to be avid crown collectors. So, the sales promotion scheme goes off-target.

Questions :

(1) Why such sales promotion are started that seen unwanted expenses and generate heart burn among the consumer and retailer ?

(2) How can you synchronise media planning, marketing, sales . and distribution efforts in such sales promotion scheme '?

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